



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

Year-end date: [31/12/2018]

Tax Identification No. [C.I.F.]: [A20001020]

Company Name:

[**CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.**]

Registered Office:

[JOSE MIGUEL ITURRIOZ, 26 (BEASAIN) GUIPUZCOA]

A. CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
04/08/1999	10,318,505.75	34,280,750	34,280,750

Please state whether there are different classes of shares with different associated rights:

Yes

No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CARTERA SOCIAL, S.A.	25.16	0.00	0.00	0.00	25.16
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	0.00	14.06	0.00	0.00	14.06
INDUMENTA PUERI, S.L.	0.00	5.02	0.00	0.00	5.02
EDM GESTIÓN, S.A. S.G.I.I.C.	0.00	3.02	0.00	0.00	3.02
TEMPLETON INVESTMENT COUNSEL, LLC	0.00	3.01	0.00	0.00	3.01
INVESCO LIMITED	0.00	1.02	0.00	0.00	1.02

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BILBAO BIZKAIA KUTXA FUNDACIÓN BANCARIA	KUTXABANK, S.A.	14.06	0.00	14.06
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS, S.L.	5.02	0.00	5.02
EDM GESTIÓN, S.A. S.G.I.I.C.	EDM INVERSIÓN FI	3.00	0.00	3.00
TEMPLETON INVESTMENT COUNSEL, LLC	GROUP'S COMPANIES	3.01	0.00	3.01
INVESCO LIMITED	GROUP'S COMPANIES	1.02	0.00	1.02

State the most significant shareholder structure changes during the year:

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
JUAN JOSÉ ARRIETA SUDUPE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ANE AGIRRE ROMARATE	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total percentage of voting rights held by the Board of Directors						0.00	

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights <u>that can be transmitted</u> through financial instruments
No data					

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A-6:

Name of related Party	Nature of relationship	Brief description
No data		

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related Party	Nature of relationship	Brief description
CARTERA SOCIAL, S.A	Contractual	Workers' share instrument in CAF's share capital
KUTXABANK, S.A.	Corporate	Creation of an Economic Interest Grouping for projects with Metro Barcelona

- A.6.** Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
JOSE ANTONIO MUTILOA IZAGUIRRE	KUTXABANK, S.A.	KUTXABANK, S.A.	--

Mr. Jose Antonio Mutiloa Izaguirre had been appointed director by co-option, by proposal of the significant shareholder KUTXABANK, S.A., on 28 October 2015, and his appointment was ratified by the General Meeting on 11 June 2016.

Prior to his appointment, Mr. Jose Antonio Mutiloa was the natural person representative of the board member KUTXABANK, S.A. and, previously, of KUTXA (one of the three entities comprising the current KUTXABANK, S.A.), where he has filled the role of Director, Secretary and Vice-Chairman of the Board.

- A.7.** State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes
 No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes
 No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores (“Spanish Securities Market Act” or “LMV”). If so, please identify them:

Yes
 No

A.9. Complete the following table with details of the company’s treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
		0.00

(*) through:

Name of direct shareholder	Number of direct shares
No data	

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

The CAF General Meeting held on 13 June 2015 resolved to authorise the derivative acquisition of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. for five years and under the following terms: a) Acquisitions may be executed by CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. directly, or indirectly through its affiliates. b) Acquisitions shall be performed through purchase or exchange transactions or any others permitted by law. c) Acquisitions shall be done, at each given time, up to the maximum amount provided by law. d) Acquisitions shall be done at market price. e) Acquisitions performed within the scope of this authorisation shall fulfil the legal requirements in force. f) This authorisation shall be valid for a five-year term. This authorisation disregards the authorisation granted by resolution of General Shareholders’ Meeting held on 5 June 2010.

A.11. Estimated working capital:

	%
Estimated working capital	48.71

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes
 No

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes
 No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

Yes
 No

If so, please list each type of share and the rights and obligations conferred on each:

B. GENERAL SHAREHOLDERS' MEETING

B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes
 No

B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes
 No

- B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.**

The General Shareholders' Meeting shall be competent to agree on the amendments to the bylaws. In accordance with Articles 13 and 20 of the By-Laws, when adopting agreements on the issuance of convertible bonds or bonds conferring a stake in corporate earnings for bondholders, the increase or reduction of capital, the elimination or restriction of pre-emptive rights over new shares, the Company's transformation, merger or spin-off or overall assignment of assets and liabilities and the transfer of its registered office abroad and, in general, any amendment to the Bylaws, the Shareholders' Meeting shall be required to have a quorum of at least 50% of the subscribed capital with voting rights at the first call, present either in person or by proxy. On second call, the attendance of 25% percent of that share capital shall suffice. When on second call shareholders representing 25% or more but less than 50% of the subscribed capital with the right to vote attend the meeting, such resolutions may only be validly adopted with the favourable vote of two thirds of the capital, present or represented, at the General Meeting. Pursuant to Article 21 of the by-laws, shareholders with one thousand or more shares in the Company may attend the General Shareholders' Meeting and take part in the discussions with a right to speak in the debates, as well as vote. Those holding less number of shares may group together and give their share to another shareholder who can then total one thousand or more shares. All shareholders eligible to attend the Meeting may be represented at the General Meeting by another person, even if he or she does not have the status of shareholder.

- B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:**

Date of General Meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
11/06/2016	45.10	27.92	0.00	0.00	73.02
Of which, free float:	0.23	24.69	0.00	0.00	24.92
10/06/2017	27.60	43.52	0.00	0.00	71.12
Of which, free float:	0.09	23.08	0.00	0.00	23.17
02/06/2018	25.53	49.17	0.00	0.00	74.70
Of which, free float:	0.23	28.82	0.00	0.00	29.05

- B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason:**

Yes
 No

- B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:**

Yes
 No

Number of shares required to attend General Meetings	1,000
Number of shares required for distance voting	1

The Bylaws contain no restrictions on the minimum number of shares needed to exercise the remote vote.

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting:

- Yes
 No

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website:

The corporate information is available under "Shareholders and investors" of the corporate web site (www.caf.net). The complete path is <http://www.caf.es/es/accionistas-inversores/index.php>.

This link includes, in a structured format, the information required by Royal Legislative Decree 1/2010, of 2 July, which approved the Consolidated Spanish Capital Companies Act, the Consolidated Securities Market Act, approved by Royal Decree-Law 4/2015, of 23 October, the Circular 3/2015, of 23 June, from the National Securities Market Commission, on technical and legal specifications and information to be contained in the web sites of listed companies and savings banks issuing securities admitted for trading in official secondary stock markets.

Apart from current by-laws, specifically subsection "Corporate Governance" contains the most important information on this matter (General Shareholders' Meeting and Board of Directors Regulations; the Company's Internal Code of Conduct within the sphere of Securities Markets; the membership of the Board of Directors and its committees; Annual Corporate Governance Report, Annual Report on Directors' Compensation, the Company's Corporate Policies, other Regulations and Codes, Reports on the operation of the committees, Report on the Auditor's Independence, Report on the "Modern Slavery Act 2015" and the Corporate Responsibility Report).

In addition, the subsection on "General Shareholders' Meeting" contains information on this body, including the announcement of the agenda and call, the proposed related agreements, the documents subject to the approval of the General Shareholders' Meeting, explanations related to the exercise of the right to information and attendance, procedures and means for voting delegation and remote voting, requests for information and clarifications, as well as information on the Meeting's performance and the resolutions adopted after it was held.

In addition, in compliance with article 539.2 of the Companies Law, simultaneously with the call to each general meeting, direct access to the Electronic Shareholders Forum is enabled to facilitate communication among shareholders regarding the call and the meeting itself.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the general meeting	10

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
ANDRÉS ARIZKORRETA GARCÍA		Executive	CHAIRMAN AND CEO	26/12/1991	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JUAN JOSÉ ARRIETA SUDUPE		Independent	COORDINATING DIRECTOR	07/06/2008	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JAVIER MARTÍNEZ OJINAGA		Independent	DIRECTOR	13/06/2015	13/06/2015	AGREEMENT GENERAL SHAREHOLDERS' MEETING
LUIS MIGUEL ARCONADA ECHARRI		Other External	DIRECTOR	29/01/1992	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
CARMEN ALLO PÉREZ		Independent	DIRECTOR	11/06/2016	11/06/2016	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JOSE ANTONIO MUTILOA IZAGUIRRE		Proprietary	DIRECTOR	28/10/2015	11/06/2016	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Name of director	Natural person representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
ANE AGIRRE ROMARATE		Independent	DIRECTOR	19/12/2017	02/06/2018	AGREEMENT GENERAL SHAREHOLDERS' MEETING
ALEJANDRO LEGARDA ZARAGÜETA		Other External	DIRECTOR	26/12/1991	13/06/2015	AGREEMENT GENERAL SHAREHOLDERS' MEETING
JULIÁN GRACIA PALACÍN		Independent	DIRECTOR	10/06/2017	10/06/2017	AGREEMENT GENERAL SHAREHOLDERS' MEETING
MARTA BAZTARRICA LIZARBE		Executive	DIRECTOR – SECRETARY OF THE BOARD	22/01/2016	11/06/2016	AGREEMENT GENERAL SHAREHOLDERS' MEETING

Total number of directors	10
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
No data					

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
ANDRÉS ARIZKORRETA GARCÍA	Chairman and CEO	Holds a degree in Economics and Business Administration from the University of Deusto and has spent his entire professional life at CAF, where he was appointed General Manager of the company in 1992. He has been a Director of CAF since 1991. On 26 July 2006, he was appointed Chief Executive Officer, a post he has held ever since. Since 29 December 2015, he has been Chairman of the Board of Directors of CAF.

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
MARTA BAZTARRICA LIZARBE	Director – Secretary of the Board	Holds a Degree in Law and in Economic and Business Sciences from Comillas Pontifical University (ICADE E-3) and an Executive Master Degree in Business Management from ICADE. She has developed her professional career at CAF and holds the position of Director of the Group's Legal Department. She is Secretary of the Board of Directors of CAF and its Committees.

Total number of executive directors	2
Percentage of Board	20.00

EXTERNAL PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
JOSE ANTONIO MUTILOA IZAGUIRRE	KUTXABANK, S.A.	Industrial engineer. He has spent his professional career within the industrial and financial sectors, mostly at Caja de Ahorros de Gipuzkoa y San Sebastián (KUTXA), one of the three entities that make up the current KUTXABANK, S.A., where he has filled the role of Director, Secretary and Vice-Chairman of the Board. Since 2015, he has been a Proprietary Director, by proposal of the significant shareholder KUTXABANK, S.A.

Total number of proprietary directors	1
Percentage of the Board	10.00

INDEPENDENT EXTERNAL DIRECTORS	
Name of director	Profile
JUAN JOSÉ ARRIETA SUDUPE	PhD in Economic and Business Sciences from the University of Deusto. He has extensive experience in the management of financial entities and currently holds the position of Deputy General Manager of the Deusto Business School.
JAVIER MARTÍNEZ OJINAGA	Lawyer and Economist from the University of Deusto, holds an MBA from the University of Glasgow. He has developed his professional career in companies within the electric sector as well as in project management and interim management.

INDEPENDENT EXTERNAL DIRECTORS

Name of director	Profile
CARMEN ALLO PÉREZ	Degree in Exact Sciences and Master in Business Administration from the "Instituto de Empresa". She has spent most of her professional career within the financial sector. She is also a member of the Board of Directors of NATRA, S.A. and Chairwoman of its Audit Committee.
JULIÁN GRACIA PALACÍN	Industrial engineer and MBA from ICADE. He has spent his professional career in the telecommunications, logistics and consulting sectors. He is also the sole director of Samuelson Consulting, S.A. and Samuelson Logistics, S.A. and a board member of CITYNET, S.A.
ANE AGIRRE ROMARATE	Degree in Business and Economics and Master in Advanced Management from Deusto University. She has vast experience in the area of analysis and strategic assessment of human resources. She is also a partner of the consulting firm Vesper Solutions.

Total number of independent directors	5
Percentage of the Board	50.00

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board
No data		

No Independent Director has received any amount or benefit other than the director's remuneration, nor have they established a business relationship with the Company or with any Group company.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
ALEJANDRO LEGARDA ZARAGÜETA	Director Alejandro Legarda Zaragüeta has been CAF General Manager until fiscal year 2014.	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A.	Industrial Engineer, MBA from IESE and PhD in Innovation Economics. He was General Manager of CAF for more than

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
			twenty years. Since 2017, he has been Chairman of Nortegas Energía y Distribución. He is also a member of the Board of Directors of DURO FELGUERA, S.A.
LUIS MIGUEL ARCONADA ECHARRI	Director Luis Miguel Arconada Echarri holds no relationship whatsoever either with the Company or its management and shareholders. However, he cannot be considered as independent since he has been Director for more than twelve years.	LUIS MIGUEL ARCONADA ECHARRI	Mr. Luis Arconada has broad experience and knowledge in the corporate and business sectors. He is also well renowned in various social and economic circles, due to his success in the sports world.

Total number of other external directors	2
Percentage of the Board	20.00

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive	1	1	1		50.00	50.00	50.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	2	2	1		40.00	40.00	33.33	0.00
Other external					0.00	0.00	0.00	0.00
Total	3	3	2		30.00	30.00	22.22	0.00

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

- Yes
 No
 Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

Since 2015, CAF has a Directors' Selection Policy aimed at, among others, favouring gender diversity in appointing the members of the Board of Directors, pursuant to recommendation 14 c) under the Code of Listed Companies' Good Governance, and articles 529 a and 529 n of the Companies Law.

In light of the most recent regulations on diversity with regard to the selection criteria of directors, the Board of Directors of the Company, by proposal of the Appointments and Remuneration Committee, has agreed to update the Directors Selection Policy, with the approval of the latest Director Diversity and Selection Policy at a meeting held on 12 November 2018, which has replaced the previous version.

The Director Diversity and Selection Policy of CAF (the "Policy"), which is specific and verifiable in nature, is intended to ensure that any proposals for the appointment and re-election of directors are based on a prior needs assessment of the Board of Directors, as well as to enrich the diversity of knowledge, experiences and gender from among the Board membership, by following criteria that ensures the existence of adequate diversity among its members as well as the absence of any implicit biases that may lead to discrimination based on age, gender, disability or any other personal circumstance or situation.

This Policy is essentially applicable to the selection criteria of candidates to become CAF board members that are natural persons. Also, for board member candidates that are legal persons, this policy is applicable to the natural persons who are to represent them.

The diversity criteria serve as an important aspect in the needs assessment of the Board of Directors and of the Company, which must be paramount during the selection of any board member.

Specifically, diversity criteria may restrict the selection of board members when the assurance of a diverse membership is required so as to benefit the Company by offering a broad range of experiences and perspectives that add value in the decision-making processes of the Board of Directors.

Specifically, diversity criteria have been adopted with regard to the following categories:

Training and professional experience:

Efforts will be made to ensure that the candidates have the necessary skills and proficiencies that either complementary those of the other members of the Board of Directors or that substitute those of any directors that have been replaced.

In this respect, the professional expertise of a candidate will be assessed, either because of his or her academic background or professional experience, or based on a combination of both, allowing for a diversity of profiles to be present on the Board of Directors so as to offer differing perspectives to assist with multidisciplinary and constructive discussions required to make a decision and, ultimately, to enhance the performance of the Board as a whole.

Age:

Directors of differing ages will also be valued, so that this difference can help to provide a healthy range of perspectives and approach when discussing any issues that must be addressed and agreed upon by the Board of Directors.

Disability:

Disability cannot constitute any bias that may imply a reason for discrimination during the Board Member selection process.

Gender:

During the director selection process, the criterion on gender diversity will be taken into account to ensure that there is a balanced presence of women on the Board of Directors.

Accordingly, the Policy promotes the aim of having a number of female directors that makes up at least thirty percent of all Board Members.

The Board of Directors of CAF has a balanced membership, with a diversity of knowledge, ages and gender, education and broad professional experiences that is coherent with the business needs and the independent directors make up 50% of its membership.

In particular, with regard to the promotion of diversity, progress made during this fiscal year regarding the presence of women on the Board of Directors is noteworthy, since the 2020 objective of having at least 30% women directors has already been achieved.

The Board's gender diversity objectives have also been strengthened during 2018, with the incorporation of women on both Committees, due to the rotation of its members that was agreed to in February.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

CAF's Appointments and Remuneration Committee ensures that when covering new vacancies, the selection processes being utilised are not implicitly impartial and do not hinder the selection of female directors, thus it includes women with the expected profile among potential candidates and under the same conditions to balance the men and women representation. This objective is stipulated in point 4 of the Company's Director Diversity and Selection Policy, approved by the Board of Directors on 12 November 2018.

During fiscal year 2018, the Appointments and Remuneration Committee was responsible for selecting and issuing favourable opinions for the appointment of the board members referred to in section C.1.7 below.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

--

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

On 17 December 2018, the Appointments and Remuneration Committee issued its Annual Report on the compliance with the Director Diversity and Selection Policy.

During fiscal year 2018, the General Shareholders Meeting ratified the re-election of three board members, as well as the ratification of the appointment of a new board member, whose appointment by co-option had been approved by the Board of Directors at the end of the previous year.

In accordance with the drawn conclusions contained in its Report, the Appointments and Remuneration Committee of CAF deemed that the provisions of the Director Diversity and Selection Policy of CAF had been appropriately complied with for all cases, as per the first approved version in 2015 and effective at the time of these appointments. Specifically, this Policy is explicit in that the Company is committed to eliminate any implicit biases that could hamper the selection process for female directors, which currently represent 30% of the Board membership, having surpassed the 2020 target.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
No data	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes

No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
ANDRÉS ARIZKORRETA GARCÍA	Delegation of all Board powers, pursuant to law and the Company Bylaws save for those which the law stipulates that cannot be delegated.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
ANDRÉS ARIZKORRETA GARCÍA	CAF ARGELIA EURL	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF CHILE S.A.	Chairman	NO
ANDRÉS ARIZKORRETA GARCÍA	CAF DEUTSCHLAND GmbH	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF FRANCE SAS	Chairman	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF INDIA PRIVATE LTD	Managing Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF NEW ZEALAND LIMITED	Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF POWER AND AUTOMATION, S.L.U.	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF RAIL AUSTRALIA PTY LTD	Chief Executive Officer	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF SISTEME FERROVIARE, S.R.L.	Sole Director	YES

Name of director	Name of group member	Position	Does the director have executive powers?
ANDRÉS ARIZKORRETA GARCÍA	CAF TURNKEY & ENGINEERING, S.L.	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF TURK SANAYI VE TICARET LIMITED SIRKETI	Natural person who represents the Sole Director of CAF, S.A.	YES
ANDRÉS ARIZKORRETA GARCÍA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, CAF COLOMBIA S.A.S.	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF INVESTMENT PROJECTS, S.A.U.	Joint Director	YES
ANDRÉS ARIZKORRETA GARCÍA	TRENES CAF VENEZUELA, C.A.	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF HUNGARY Korlátolt Felelősségu Társaság	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES INVESTIGACION Y DESARROLLO, S.L.U.	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF NETHERLANDS B.V.	Sole Director	YES
ANDRÉS ARIZKORRETA GARCÍA	CAF BELGIUM, S.P.R.L.	Sole Director	YES
ALEJANDRO LEGARDA ZARAGÜETA	FERROCARRILES SUBURBANOS, S.A.P.I. DE C.V.	Chairman Non-executive	NO
MARTA BAZTARRICA LIZARBE	CTRENS COMPANHIA DE MANUTENÇÃO, S.A.	Director	NO
MARTA BAZTARRICA LIZARBE	PROVETREN, S.A. de C.V.	Director	NO

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
ALEJANDRO LEGARDA ZARAGÜETA	DURO FELGUERA, S.A.	INDEPENDENT COORDINATING DIRECTOR

Name of director	Name of listed company	Position
CARMEN ALLO PÉREZ	NATRA, S.A.	DIRECTOR

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes
 No

Explanation of the rules and identification of the document where this is regulated

Article 23.2.b) of the Regulations of the Board of Directors states that no director shall belong simultaneously to more than four boards of directors in listed companies other than the Company or its group.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	1,902
Amount of vested pension interests for current members (thousand euros)	1,230
Amount of vested pension interests for former members (thousand euros)	

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
JESUS ESNAOLA ALTUNA	GENERAL CHIEF SALES OFFICER
AITOR GALARZA RODRÍGUEZ	CHIEF FINANCIAL, CONTROLLING AND STRATEGY OFFICER
JOSU VILLAR ELORZA	CHIEF OPERATING OFFICER
JUAN GASTESI IRIARTE	CHIEF HUMAN RESOURCES OFFICER
JOSU IMAZ MURGUIONDO	CHIEF CORPORATE OFFICER, BUSINESS AND TECHNOLOGY
IÑIGO ONA LARUMBE	CHIEF CORPORATE DIGITAL OFFICER
IBON GARCÍA NEILL	CHIEF RAIL SERVICES OFFICER
FÉLIX FERNÁNDEZ LOPETEGUI	CHIEF PROJECT OFFICER
EDUARDO GÁLVEZ LISON	CHIEF QUALITY, SAFETY AND HOMOLOGATION OFFICER
IRUNE LÓPEZ FERNÁNDEZ	INTERNAL AUDITOR
Total senior management remuneration (thousand euros)	2,613

C.1.15 State whether the Board rules were amended during the year:

Yes
 No

Description of amendment

On 18 December 2018, the Board of Directors unanimously agreed to amend articles 3, 4, 5, 7, 8, 11, 12, 13, 15, 16, 18, 25, 29, 30, 31 and 34 of its Regulations, which had the following key objectives: (i) Incorporate the recommendations issued by the independent expert responsible for evaluating the Board's performance during fiscal year 2017, with regard to the possibility of proposing other items of the agenda that were not initially envisaged, (ii) Adapt its wording to the actual text of certain articles under the Spanish Capital Companies Act, as well as expressly reflect the terms of certain Recommendations of the Good Governance Code for Listed Companies, which had been complied with by the Company but were not expressly included under the Regulations, (iii) Standardise its content with the remainder of the Company's internal regulations, including the current version of the By-Laws after it had been amended and then ratified at the last General Shareholders Meeting, (iv) Incorporate the more substantial guidelines under the Technical Guide on Audit Committees and the Proposed Technical Guide on Appointments and Remuneration Committees, published by CNMV, which had not been expressly set out in the internal regulations, and (v) Incorporate other technical improvements.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Selection and Appointment

The Board of Directors shall be composed of no less than seven and no more than fifteen members freely appointed by the General Annual Meeting or, in case of early vacancy, by the same Board through co-option. The director does not need to be a shareholder. Disqualification according to legal grounds shall apply (Article 29 of the bylaws). Should a vacancy occur during the Directors were appointed, the Board of Directors may cover them until the first General Meeting is held. Should the vacancy take place once the General Meeting has been called but before it is held, the Board of Directors may appoint a director until the following General Meeting is held. Should the vacancy be for the position of Chairman or Chief Executive Officer, the Board of Directors may cover the vacancies and temporarily appoint a Chairman. The Board may also appoint a Chief Executive Officer with the favourable vote of two thirds of its members. Such appointments shall be fully effective until the first General Shareholders' Meeting (Article 33 of the bylaws). Additionally, in exercising its powers to submit proposals at the General Meeting and of co-option in case of vacancies, the Board shall ensure the balance of the Board membership, with a broad majority of non-executive directors and an adequate proportion between proprietary and independent directors, these last being at least one third of the total Board membership (Art.7 of the Board Regulations).

Additionally, Board Regulations establishes the following rules related to directors appointment: Any appointment or re-election proposal submitted by the Board of Directors to the General Meeting for approval and any appointments made by the Board by its legally stipulated powers of co-option shall be preceded by the corresponding proposal by the Appointments and Remuneration Committee, in the case of Independent Directors and by the Board for the rest of the cases. The proposal shall be accompanied with an explanatory report issued by the Board of Directors, assessing the competence, experience and merits of the proposed candidate, to be attached to the General Meeting or Board of Directors' Meeting minutes. The proposal for the appointment or re-election of any non-independent director shall also be preceded by a report from Appointments and Remunerations Committee. The abovementioned shall also apply to natural persons appointed representatives of an artificial person acting as director. The natural person proposed to be a representative shall be subject to the report from the Appointments and Remuneration Committee. Should the Board decide not to follow the proposals of the Appointments and Remuneration Committee, it shall submit and minute its reasons for such decision. The Board of Directors shall coordinate with the Company's senior management the creation of an induction programme for new Directors to acquaint them rapidly with the workings of the Company and its corporate governance scheme. Likewise, Directors should also be offered refresher programmes when circumstances so advise (Article15 of the Board Regulations).

With regard to the appointment of Non-executive Directors, the Board of Directors shall ensure that the elected candidates are people of proven solvency, competence and experience, applying even stricter criteria for the positions of Independent Directors. Independent directors will be considered to be those that are appointed on the basis of their personal and professional qualities and who can perform their duties without being conditioned by any relations with the Company or its group, its significant shareholders or its executives. Under no circumstances it will be deemed as Independent Directors those who: a) Have previously been Group company employees or Executive Directors, except after 3 or 5 years since their resignation, respectively. b) Are receiving any amount or benefit from the Company or its Group other than the remuneration as Director, except when such amount is not considered significant. Dividends or supplementary pension payments received by a Director for his/her former professional or labour relationship will not be taken into account for the purposes of the foregoing paragraph, insofar as such supplements are unconditional and, therefore, their accrual cannot be discretionally suspended, modified or revoked by the paying company. c) Are or have been partners of the external auditor over the last 3 years or the person responsible for the auditing report, whether such Period's audit corresponds to the Company or any other Group company. d) Are Executive Directors or senior executives of a company other than one in which an Executive Director or senior executive of the Company is also a Non-Executive Director. e) Maintain or have maintained an important business relation with the Company or Group companies over the last year, whether on his/her behalf or as a significant shareholder, director or Senior Executive of an entity maintaining such relation, either at present or in the past. Business relations shall be those of supplier of goods or services, including financial ones, or of advisor or consultant.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes

The Board of Directors, on the basis of previous reports issued by Committees on their respective reviews and on the previous report raised by the Appointments and Remuneration Committee on the performance of the Board, has positively evaluated the performance of the Board and its Committees in 2018 and has verified that all Action Plans scheduled for that year had been fulfilled.

Furthermore, within the scope of this evaluation process, the Board of Directors has established various Action Plans for the 2019 fiscal year, however, they do not led to any significant changes to the internal organisation or in the procedures concerning its activities.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

In accordance with the provisions of Article 5.5 of the Regulations of the Board of Directors, the Board of Directors must conduct an annual evaluation of its own performance and that of its Committees and propose an action plan that redress any detected shortcomings on the basis of this outcome. For this purpose, the Board relies on reports submitted to it by the Committees with regard to its own evaluation and for the case of the Appointments and Remuneration Committee, it is based on the Board's evaluation.

In this regard, and with respect to the year 2018, the following main areas have been assessed:

- a) The quality and efficiency of the Board's operation.
- b) The operation and structure of its committees.
- c) The structure and competence diversity of the Board of Directors.
- d) The performance of the Chairman and CEO of the Board of Directors.
- e) The performance and contribution of each director, paying special attention to those in charge of the different committees of the Board.

Following this process, the Board of Directors has positively evaluated its performance and that of its members and Committees for fiscal year 2018, being in line with the favourable opinions of the previous reports issued by the Committees on their respective evaluations and on the evaluation of the Board, which was approved by the Board of Directors at the meeting held on 30 January 2019. Specifically, the Board has verified that the action plans earmarked for the evaluated year have been satisfactorily fulfilled.

Notwithstanding the foregoing, the Board has identified areas for improvement and determined the corresponding action plans for fiscal year 2019.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

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C.1.19 State the situations in which directors are required to resign.

Directors must tender their resignation to the Board of Directors and, if the latter sees fit, resign in the following cases: a) The proprietary director must tender his/her resignation when the represented shareholder sells its entire shareholding or diminishes it to a level that requires a reduction of the number of proprietary directors. b) If they are found to be in a situation of incompatibility due to a conflict of interest or any other legal reason. c) Should they be processed for any alleged crime or when subject to disciplinary measures for a serious or very serious breach as determined by the supervising authorities. d) When seriously reprimanded by the Appointments and Remuneration Committee when not upholding director obligations. e) When involved in a situation that creates a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement.

In any case, directors are to inform and, if applicable, resign during any such events that may be detrimental to the Company's name and reputation (article 18 of the Regulations of the Board of Directors).

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

- Yes
 No

If so, please describe any differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors:

- Yes
 No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

- Yes
 No

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

- Yes
 No

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Article 31 of the Company's Bylaws and article 14 of the Board of Directors' Regulations determine that Directors shall make every effort to attend Board sessions and, when they cannot do so personally, may confer their representation to another Director in writing to the Board Chair, without limiting the number of representations that each can bear for Board assistance. Proxy may be granted in writing through any means and shall include the corresponding direction of the vote for each of the matters mentioned in the agenda.

Additionally, these same rules require that non-executive Directors may only confer their representation on a non-executive Director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	9
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0
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Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Audit Committee	11
Number of Meetings held by the Appointments and Remuneration Committee	5

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance:

Number of meetings when all directors attended	9
% of attendance over total votes during the year	100.00
Number of meetings in situ or representations made with specific instructions of all directors	9
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100.00

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

- Yes
 No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
ANDRÉS ARIZKORRETA GARCÍA	CEO
AITOR GALARZA RODRÍGUEZ	Financial and Strategy Manager

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The Board of Directors delegates on the Audit Committee the monitoring of financial balances and auditing services in order to avoid any qualifications. Financial statements for the year ended 31 December 2017 as well as previous years were approved without qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes
 No

If the secretary is not a director, please complete the following table:

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Mechanisms to preserve the independence of financial analysts:

In addition, according to the Company's Bylaws, the Audit and Compliance Committee is responsible for managing the relationships with the external auditors in order to gather information on matters that may call the auditor's independence into question, to be analysed by the Committee, as well as any other matters related to the auditing process, and any other disclosures set forth in accounting and auditing legislation and auditing standards. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as the information of any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. Similarly, according to by-laws, every year the Audit Committee is required to issue, prior to the issuance of the audit report, an annual report containing an opinion on the auditor's independence (Article 37 a of the by-laws).

Pursuant to the foregoing, the Company's Board of Directors Audit Committee has its own Regulations ruling its nature, composition, functions, operating standards and powers. Pursuant to such Regulations, the Audit Committee is responsible for the following functions linked to the external auditor and to preserve its independency (i) Submit to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of an external auditor of the Company, being responsible for the selection process, pursuant to article 16, sections 2, 3, 5 and 17.5 of the Regulations (EU) 537/2014 of 16 April, as well as its employment conditions and regularly collect information about the audit plan and its execution, whereby preserving its independence during the undertaking of its role. The Committee must carry out the final evaluation of the auditor's performance and its contribution to the quality of the audit and the integrity of the financial information. (ii) Establish the appropriate relations with the external auditor in order to gather information on issues that may prejudice the independence of the auditor, to be assessed by the Committee, and on any other matters concerning the undertaking of the auditing of the accounts and, where appropriate, the approval of services other than those prohibited, under the terms established under article 5, sections 4 and article 6.2.b) of Regulation (EU) 537/2014 of 16 April and under paragraph 3, Chapter IV of Title I of Law 22/2015 of 20 July on statutory audit, regarding the principles of independence, as well as establishing, with the external auditor, any other notifications pursuant to the legislation and audit requirements. In any case, they must receive, on an annual basis from the external auditor, a statement affirming its independence in relation to the Company or companies directly or indirectly connected to such, as well as detailed information and a breakdown for any type of additional services rendered and corresponding fees received from these entities by the auditor, or by persons or entities associated to the latter, pursuant to the governing regulations concerning the undertaking of account auditing. (iii) Issue, prior to the issuance of the audit report, an annual report stating its opinion on the auditors' or audit companies' independence is issued. Such report must contain, in any case, an assessment on the provision of each and every additional service referred to in the foregoing section, reviewed individually and as a whole, apart from the various legal auditing and in relation to the regime of independence and governing regulations on audit activities. (iv) With respect to the external auditor: i. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation. ii. Ensure that the external auditor's compensation for his work does not compromise its quality or independence. iii. Ensure that the Company notifies any change of auditor to the National Securities Market Commission (CNMV) as a significant event, accompanied by a statement of any discrepancies arising between the outgoing auditor and the reasons behind it. iv. Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces. v. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence (Article 3 of the Audit Committee Bylaws and Regulations). As for relations with the auditors, the same Regulation of the Audit Committee in article 13 determines that (i) any communications between the Committee and the auditors will be fluent, ongoing and in accordance with the obligations under the governing regulations regarding the activity of the audit of accounts, without compromising the independence of the auditor or the effectiveness of the audit process and procedures, (ii) any communication with the auditor must be planned for in a schedule of annual meetings, where most of these are not to be attended by the entity's senior management; and (iii) the Audit Committee will regularly receive information on the audit process from the auditors and specifically on any discrepancies that may arise between the auditors and the entity's senior management. When the audit has been

finalised, the Committee will review, along with the external auditor, any significant findings brought to light from these tasks, as well as the content of its mandatory reports.

With regard to the fiscal year 2018:

- The auditor reported before the Audit Committee on three separate occasions, and once before the Board of Directors, to report on various matters concerning the auditing process.
- On 27 February 2018, the external auditor submitted before the Audit Committee a written statement confirming its independence with regard to the audit of the consolidated financial statements of the CAF Group for the year ended 31 December 2017.
- On the same date, the Committee issued its own report on the independence of the auditor for the Board of Directors, in which it concluded that no aspect had been identified, at the time, that could jeopardise regulatory compliance of the audit process regarding matters of the independence of the auditor.
- At its December meeting, the Committee approved the budget for non-audit services for the fiscal year 2019.
- At the Committee meeting held in December 2018, the auditors provided detailed information on matters relating to: (i) the reappointment of the auditors, (ii) the internal quality control system of the audit firm on matters regarding the independence of the auditor; and (iii) the prevailing practices among the listed companies regarding communications with the auditor.

Mechanisms to preserve the independence of financial analysts:

CAF's Board of Directors Regulations state that the Board of Directors is responsible, among others, for the following duties regarding the relationships with the Markets (Article 33): (i) The Board shall guarantee the fulfilment of the obligation to deliver information to Markets pursuant to the legislation in force at each given time. ii) The Board shall also guarantee that periodic financial information, other than Financial Statements and, in general, any other information disclosed to the Markets, is prepared pursuant to the same professional principles, criteria and practices applied to the Financial Statements and that such information is as reliable as the latter.

The guiding principles governing relationships between the Company and financial analysts, investment banks and rating agencies are included under the Communication and Agreements Policy with Shareholders, Institutional Investors and Proxy Advisors and foster transparency, non-discrimination, veracity and symmetry during the exchange of information, so as to adhere strictly to the regulations on market abuse. The Company's Code of Good Conduct explicitly states its commitment to make available any information relating to the company in a complete and accurate manner, in a way that can allow analysts and other stakeholders to form an objective opinion on CAF. The Economic-Financial and Strategy Department, by means of the Investor Relations Area, manages the requests for further information.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

- Yes
 No

If there were any disagreements with the outgoing auditor, please provide an explanation:

- Yes
 No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

- Yes
 No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	230	230
Amount invoiced for non-audit services/Amount for audit work (in %)	0.00	32.00	32.00

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

- Yes
 No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	29	18

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	71.00	100.00

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

- Yes
 No

Explanation of procedure

The Board approves, at its December meetings, the Board calendar for next year, so that the Directors know the dates of meetings early enough to prepare some of the subjects to be dealt with on them as a guiding plan is established on the subjects to be addressed in every Board Meeting. A schedule is approved containing eight sessions per year, spread out with sufficient time in between them to study and prepare the necessary information. On the other hand, ordinary Board meetings shall be convened at least 5 days in advance, although in practice this is done earlier. The call also includes the meeting's agenda, and the documents that must be previously and early enough reviewed by the Directors. In any case the Directors have the right to request all the information they may reasonably need regarding the Company and its group in furtherance of their duties. Such right to information should be channelled via the Chairman of the Board who, with the assistance of the Secretary to this end, shall facilitate the information, identify the Company's appropriate interlocutors or decide on the suitable measures for the requested inspection or examination.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

- Yes
 No

Explain the rules

As established in Article 18 of the Board Regulations, Directors must place their position at the Board's disposal in certain cases, and particularly when they are prosecuted for an alleged criminal offense or subject to breach determined by supervising authorities.

In turn, Directors shall inform the Board of any criminal charges brought against them and the progress of any subsequent trial. Should a Director be indicted or tried for any of the crimes stated in Article 213 of the Companies Law, the Board shall examine the matter as soon as possible and decide whether or not he or she should be called on to resign. The Board shall also disclose all such determinations in the Annual Corporate Governance Report. In any case, Directors shall always report and, if applicable, resign if they are involved in a situation that may harm the Company's name and reputation.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

- Yes
 No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no such agreements.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Executive Director	Termination benefit due to termination ordered by the Company for reasons not related with the Director

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	√	
	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

The content of these clauses are shown in the Annual Report on Director Remuneration, which is subject to consultative voting at the General Shareholders' Meeting.

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE		
Name	Position	Category
JAVIER MARTÍNEZ OJINAGA	CHAIRMAN	Independent
JUAN JOSÉ ARRIETA SUDUPE	MEMBER	Independent
CARMEN ALLO PÉREZ	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Organisation:

The Audit Committee shall be made up of three (3) non-executive directors, appointed by the Company's Board of Directors. At least the majority of them shall be independent Directors and one of them shall be appointed considering their knowledge and experience on accounting, auditing or both. The Board of Directors shall also appoint the Chairman among members acting as independent directors of the Committee. The Chairman shall be replaced every four years and may be re-elected after stepping down for one year. The Board of Directors shall appoint its Secretary, who shall not necessarily hold the office of Director. (Article 2 of the Audit Committee Bylaws and Regulations).

Functions:

Its main functions are: a) Advising the General Shareholders' Meeting on any matter within the Committee's competence, namely on the audit's result, and explaining its contribution to the financial information's integrity and the function performed by the Committee within that process. b) Supervising the efficiency of the Company's internal control, the internal audit and the risk management systems, discussing with the auditor any significant shortcomings detected in the internal control system during performance of the audit without committing its autonomy. To this end, it may submit recommendations or proposals to the Board of Directors and the corresponding period for its monitoring. c) Supervising the process for preparation and filing of mandatory related financial and non-financial information and submitting proposals to the Board of Directors, in order to preserve its integrity. d) With regard to internal control and reporting systems: i. Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, verifying the fulfilment of legal requirements, the accurate demarcation of the consolidation scope, and the correct application of accounting principles. ii. Review that the financial information published on the Company's web site is constantly updated and reflects the one prepared by the Board of Directors, which has been published, when appropriate, in the CNMV's web site. If after the review the Committee is not satisfied with any aspect, it will then submit its opinion before the Board of Directors. iii. Monitor the independence of the division performing the internal audit function; proposing the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approving work plans and orientation, ensuring that its activity is mainly focused on the company's material risks; receive periodic information on its activities; and check that senior management is considering its recommendations and conclusions. As a part of the supervisory review, the Committee must assess the function of the internal audit and the performance of the senior person in charge. iv. Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	JAVIER MARTÍNEZ OJINAGA / JUAN JOSÉ ARRIETA SUDUPE / CARMEN ALLO PÉREZ
Date of appointment of the chairperson	28/10/2015

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Category
JUAN JOSÉ ARRIETA SUDUPE	CHAIRMAN	Independent
LUIS MIGUEL ARCONADA ECHARRI	MEMBER	Other external
ANE AGIRRE ROMARATE	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Organisation:

The Committee shall be composed of no less than three (3) and no more than five (5) Directors, as determined by the Board of Directors, who will be non-executive directors only, two of which shall be independent. The Chairman of the Committee shall be elected by the Board of Directors among Committee members who are Independent Directors. The Board shall appoint its Secretary, who shall not necessarily hold the office of Director (Articles 4 and 5 of the Appointments and Remuneration Committee Regulations). The Chairman is responsible for summoning the Committee, organising the agenda for the meeting and acting as moderator during the debates. Committee members shall be appointed for a four-year term and shall be re-elected for equal periods while their appointments as Company Directors are effective. (Article 7 of the Appointments and Remuneration Committee Regulations).

Functions:

The Appointments and Remuneration Committee has the following basic responsibilities: a) Evaluate the balance of skills, knowledge and experience on the Board. For this purpose, it shall define the functions and skills required for candidates to cover each vacancy and shall evaluate the time and dedication required to attain goals effectively. b) Set a representation goal for the gender with less representation at the Board of Directors and preparing recommendations on how to achieve that goal. c) Bring to the Board of Directors the proposals for the appointment of independent directors by co-option or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for such Directors' re-election or removal. d) Report the proposal for appointment of the remaining directors by co-option or to be submitted to the decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting. e) Report the proposal for appointment and removal of high executives and the basic conditions of their contracts. f) Examine and organise, as applicable, the plan for the succession of the Board of Directors' chairman and the Company's Managing Director, for such succession to occur in an orderly and planned manner. g) Propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out their senior management functions under direct control of the Board, Executive Committees or Managing Directors, as well as the individual remuneration and other contractual conditions of Executive, ensuring compliance. (Article 3 of the Appointments and Remuneration Committee Regulations).

In addition, the Committee is responsible for the following tasks: i) Review periodically the remuneration policy applied to directors and high executives, including share-based compensation systems and their application, as well as ensuring that their individual compensation is proportionate to that paid to the Company's other directors and high executives. ii) Ensure that potential conflicts of interests do not jeopardise the independence of the external advice provided to the committee and (iii) Verify the information on the compensation provided to directors and high executives, as contained in the different corporate documents, including the annual report on directors' compensation.

Furthermore, the Commission is entrusted with the following responsibilities regarding the supervision of the compliance of corporate governance rules, the internal codes of conduct and the corporate social responsibility policy: i) Supervising compliance with internal codes of conduct and the corporate governance rules of the Company. ii) Evaluating, on a regular basis, the adequacy of the Company's corporate governance rules and procedures, so it can accomplish its mission of promoting social interest, considering, accordingly, the legitimate interests of the remaining stakeholders, (iii)) Reviewing the corporate social responsibility policy of the Company, ensuring it is directed towards the creation of value, (iv) Monitoring strategies and actions of corporate social responsibility, and evaluating the degree of compliance, (v) Supervising and evaluating the relations with the different stakeholders and (vi) Coordinating the process of reporting non-financial and diversity information, according to the applicable regulations and the international standards of reference.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	33.33	0	0.00	0	0.00	0	0.00
APPOINTMENTS AND REMUNERATION COMMITTEE	1	33.33	1	33.33	1	33.33	0	0,00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

AUDIT COMMITTEE: The up to date version of the resolution is available in the CAF web site (www.caf.net), under section Information for Shareholders and Investors. The Regulations of the Audit Committee were amended on 18 December 2018, so as to include: (i) the measures proposed by the external consultant for the 2017 Assessment Report of the Board of Directors of CAF, (ii) the more important aspects covered by the CNMV Technical Guide that were not expressly established in the internal regulations, (iii) the powers conferred by the Board of Directors under the scope of Recommendation 53 of the Code of Good Governance of Listed Companies, (iv) changes required for the standardisation of the Regulations of the Board and its Committees and, (v) other technical improvements. An annual report on the activities carried out during the fiscal year 2018 by this Committee has been prepared, which will be published under the terms of Recommendation 6 of the Code of Good Governance of Listed Companies of the CNMV.

APPOINTMENTS AND REMUNERATION COMMITTEE: The up to date version of the resolution is available in the CAF web site (www.caf.net), under section Information for Shareholders and Investors. There have not been amendments on the Appointments and Remuneration Committee Bylaws and Regulations in 2018. Nonetheless, the Committee has been working on a proposal to amend the Regulations of the Committee. With the upcoming publication of the final text of the Technical Guide on Appointments and Remuneration Committees of the CNMV, it has been deemed appropriate to wait for the definitive publication of this text before including the finally approved principles and criteria. An annual report on the activities carried out during the fiscal year 2018 by this Committee has been prepared, which will be published under the terms of Recommendation 6 of the Code of Good Governance of Listed Companies of the CNMV.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

The Board of Directors has been attributed, but without the capacity to delegate, the duty to approve, prior report from the Audit Committee, the transactions made by the Company or group companies with the Directors under the rules of the Capital Companies Law, or with shareholders holding a significant equity interest, either individually or jointly, including shareholders represented on the Board of Directors of the Company or other companies forming part of the same group or with their related persons. This approval shall not be applicable for any transaction meeting all of the three following conditions: 1.º they are governed by standard form agreements applied on an across-the board basis to a large number of clients, 2.º they are performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and 3º. they contain amounts not exceeding one percent of the Company's annual revenue. (Art. 5 of the Board Regulations).

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
No data				N.A.

- D.4.** Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
Metro CAF Mauritius, Ltd.	Assignment of the scope of the train supply agreement	8,636

The company Metro CAF Mauritius, Ltd. has been incorporated in Mauritius, exclusively for the performance of an agreement for the supply of trams in the country. The work assigned to the subsidiary for the most part corresponds to the installation of track systems and warranty services.

- D.5.** State the amount of any transactions conducted with other related parties that have not been reported in the previous sections:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		N.A.

Note 10 of the consolidated Notes to the Financial Statements for fiscal year 2018 includes the details on balances and transactions with associated companies that have not been removed during the consolidation process.

- D.6.** Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Section 229 of the Capital Companies Law and Articles 24 and 25 of the Board of Directors' Regulations require directors to communicate to the Board of Directors any conflict, either direct or indirect, that may arise as regards the interest of the company. In addition, in case of conflict of interests, the affected director should refrain from intervening in the discussion and voting of the decisions and resolutions causing such conflict. Any conflict of interest should be mentioned in the Notes to the Financial Statements. In turn, the Board of Directors' Regulations closely regulate the non-compete obligations and the duty to avoid the conflicts of interest, and state a series of prohibited behaviour for Directors, as well as the consequences for breaching. In its Article 18, the Board of Directors' Regulations expressly states that Directors should also tender their resignation to the Board and formalise the corresponding resignation, should the latter consider it appropriate, if they are disqualified on the grounds of conflict of interest or fail to comply with the duties to provide information, abstention or the non-competition agreement. Finally, the Control and Monitoring body, regulated by the Internal Code of Conduct within the securities markets area, helps the Board of Directors control possible conflicts of interest with the Company.

- D.7.** Is there more than one company in the group listed in Spain?

Yes
 No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk:

CAF Group's Comprehensive Risk Management System works in a continuous manner, consolidating its management at a corporate level for all businesses and geographic areas in which it operates.

The undertaking of the Board of Directors' of CAF in establishing the mechanisms and basic principles for adequate control and risk management is reflected in the General Risk Control and Management Policy, whose essential principles rest upon the previously mentioned Comprehensive Risk Control and Management System. This policy covers part of the Group's internal regulations and can be found in the corporate policies section at www.caf.net.

The General Risk Control and Management Policy covers all the companies comprising the CAF Group in all jurisdictions where CAF operates, being applicable to all Group employees. In those non-CAF Group companies, the Company seeks to ensure that the principles, guidelines and risk limits are consistent with those established through this General Risk Control and Management Policy.

The purpose of the aforementioned Policy is to establish the basic principles and guidelines for the control and management of risks of any nature affecting the Company and the CAF Group, through the identification of the main risks and by employing appropriate internal control and information systems, while conducting periodic monitoring on the performance of these mechanisms.

In practice, the Comprehensive Risk Control and Management System is based on a range of strategic and operational actions in order to manage risks and meet the objectives set by the Board of Directors. The diversity and complexity of the activities carried out by the Group involve a variety of risks, with the Company defining the basic guidelines in order to standardize the operating criteria in each of the divisions to ensure an adequate internal control level.

The Comprehensive Risk Control and Management System of the CAF Group is an interlinked system of rules, processes, procedures, controls and information systems where the global exposure is determined after assuming all the risks that the Company is exposed to and it takes into consideration their impacts on mitigation. This system allows the consolidation of the risk exposures of the business divisions and areas of the Group and their valuation, as well as the preparation of the corresponding management information for decision making on risk and expected profitability, which is subject to a continuous improvement process allowing it to be strengthened over time.

In order to respond to the need for global and homogeneous risk management, CAF Group assumes a corporate risk control and assessment model under the following basic assumptions:

- Defining maximum risk limits that can be assumed for each business according to its characteristics and expected profitability.
- Establishing procedures for the identification, analysis, evaluation, treatment, monitoring, control and information of the various risks.
- Coordination and communication so that the procedures of the different businesses/projects are consistent with this General Risk Control and Management Policy and the Comprehensive Risk Control and Management System implemented in the Group.

Likewise, the Corporate Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities, while maintaining a prudent risk profile at all times. Fiscal risk management is conducted within the scope of the Comprehensive Risk Control and Management System and is overseen by the Corporate Fiscal Area, where the main corporate tax risks of all businesses and regions are controlled and monitored.

For fiscal year 2018, the Board of Directors approved the Market Risk Policy, the Liquidity and Financing Policy and the Investment Policy, all of which are at a corporate level. The management of risks connected with these policies is also carried out under the framework of the Comprehensive Risk Control and Management System.

Finally, it should be noted that through the General Risk Control and Management Policy, the Organization is committed to developing all its capabilities so that risks of all kinds are properly identified, measured, managed, prioritized and controlled. In this regard, it is the Audit Committee the one responsible for permanently ensuring compliance with the General Risk Control and Management Policy and for the Comprehensive System implemented to operate properly.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk:

As established in Article 5 of Board of Directors' Regulations on the General Supervision Area, the development of the General Risk Control and Management Policy, including those on tax risks and the supervision of internal information and control systems, is one of the matters made exclusively available to all Board members.

In this regard, the Board of Directors is the maximum responsible for the General Risk Control and Management Policy, approving the appropriate procedures for identification, measurement, management and control. Likewise, it is responsible for marking clear lines of authority and responsibility, demanding adequate methodologies to measure the different types of risk and effective internal controls over its management. Additionally, it is the body responsible for establishing and monitoring the Comprehensive Risk Control and Management System implemented in the Group, and the body that will verify that the risks relevant to the Group are consistent and within the defined risk tolerance level.

The Board of Directors is responsible for promoting an internal risk culture that engages the entire organization.

For their part, it is the Audit Committee's responsibility to independently monitor or evaluate the effectiveness of the Risk Management System implemented, which includes, both the financial and non-financial risks, and the procedures designed for its monitoring. This will be supported by the Internal Risk Management Division and the Internal Audit Function.

The Executive Committee is the company's highest executive body and as such it is responsible for ensuring the effective implementation of the General Risk Control and Management Policy and knowing the main elements of its evolution and control.

The Risk Management Function under the direct supervision of the Audit Committee is responsible for the following tasks:

- a) Ensure the good performance of the comprehensive risk management and control system and, particularly, that all material risks affecting the Company are properly identified, managed and quantified,
- b) Participate actively in the risk strategy preparation and in the important decisions regarding its management and
- c) Ensure that the comprehensive risk control and management system mitigates risks adequately in accordance with the policy framework set forth by the Board.

In addition, the task of CAF's Internal Audit include, among others, the assurance and control of risks faced by the Company and, for that purpose, it participates in the examination and evaluation of control systems and procedures and risk mitigation.

Moreover, CAF has a Corporate Fiscal Area, whose role includes: (i) apply the Fiscal Policy established and approved by the Board of Directors and (ii) ensure compliance with the principles of action regarding tax matters under the Fiscal Policy approved by the Board of Directors, which expressly includes the prevention of fiscal risks and their reduction, to the furthest extent possible.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives:

The most important risks facing the Group may be classified into the following categories:

- Strategic risks: these being risks stemming from the uncertainty of the macroeconomic and geopolitical environment, along with the inherent characteristics of the sector and markets where the Group operates, and the decisions adopted on strategic and technological plans.
- Financial risks: deriving from market fluctuations, which include the following risk subcategories:
 - Market risk, considering the following typologies:
 - Interest rate risk: risk to changes in interest rates that may cause variations in both the results and the value of the Group's assets and liabilities.
 - Currency risk: risk arising from changes in the exchange rates of currencies with an effect on future transactions and the valuation of assets and liabilities denominated in currency.
 - Risk of raw material prices: risk derived from changes in prices and market variables in relation to raw materials needed in the business supply chain.
 - Credit risk: it is the risk of insolvency or bankruptcy or possible non-payment of quantifiable monetary obligations by the counterparts to which the Group has effectively granted net credit and are pending liquidation or collection.

• Liquidity and financing risk: in relation to liabilities, it is the risk linked to the impossibility of carrying out transactions or to non-compliance with obligations arising from operating or financial activities due to lack of funds or access to financial markets, whether derived from a decrease in the company's credit quality (rating) or other causes. In relation to the asset, it is the risk of not being able at any given moment to obtain asset acquirers, for the sale at market price, or the lack of market price.

For more information on the financial risks, see the section on "Financial Risk Management" of the Notes to the Financial Statements.

- Operational risks: inherent to all Group activities, products, systems and processes that lead to financial losses due to human/technological error, inadequate/defective internal processes or the intervention of external agents. These include corporate risks and risks related to the performance of projects. Others are explained in greater detail in their corresponding sections and some of which are: people/labour, human rights, social and environmental risks.
- Corporate Governance Risks: arising from the potential non-compliance of the Group's Corporate Governance System, being composed of the: (i) By-Laws and other regulatory rules for corporate governance bodies, (ii) Corporate Policies and standards approved by the Board of Directors of the Group's parent company, and (iii) all other internal policies, standards and development protocols, approved by other competent bodies of the Group, regulating the design, integration and role of the Governance Bodies and its relationship with the Company's stakeholders, which are the basis of the commitment towards ethical principles, good practices and transparency, being articulated around preserving the Company's best interest and the creation of sustainable value.
- Compliance and Regulatory Risks (including those on tax and contractual requirements): arising from litigations involving the Group, contractual requirements, Securities Market governing regulations, data protection law, applicable environmental legislation, applicable labour legislation, criminal law, including those related to corruption, regional, national and international tax regulations, among others.

As for the Statement of Non-Financial Information for the fiscal year ended in 2018, which was included in the Directors Report, the various types of aforementioned risks were assessed in detail. In particular, there was an emphasis on the risks relating to human rights, society, the environment, people and the fight against corruption and bribery.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk:

The risk tolerance level established at the corporate level is understood at CAF as the willingness to assume a certain risk level, insofar as it allows value creation and business development, achieving an adequate balance between growth, performance and risk. The CAF Group presents an overall prudent risk profile with a low tolerance level, in which the objective of guaranteeing the continuity over time of its activity and the sustainable growth, and therefore of its value contribution to its shareholders and to the company in general, prevails.

In order to achieve this risk profile, the Group is based on:

- A prudent policy in tender submission, applying predetermined Risk-Profitability thresholds in the decision-making process.
- An adequate risk management infrastructure in terms of governance and material and human resources availability.
- Search for positioning in high growth segments, in geographies that are classified as strategic and in products for which previous capacities and experiences that allow generating value to the company are verified, maintaining in any case the desired profitability and cash generation levels.

Risk assessment is basically performed in a qualitative way in order to establish both its importance (in terms of impact) and its occurrence probability, although a risk objective (quantitative) indicator is established to the extent possible:

- Very low and low level risks may be accepted and no Control or Action Plan may be necessary to manage them.
- Medium-level risks should be carefully analysed in order to determine whether or not they are acceptable and, if appropriate, to establish a Control or an Action Plan that mitigates the risk to a low level and, therefore, acceptable.
- High and very high level risks will require adequate administration and management as well as preparing a formal Action Plan, which will be monitored according to its criticality by the Risk Management Function or directly by the Executive Committee and the Audit Committee.

Additionally, the risk assessment considers the different types of risks that could affect the Group. In general, although fundamentally applicable to Operational Business Risks, tolerance thresholds are defined which in case of being achieved, would make it necessary to establish new or existing Controls or Actions Plans. As for Operational Business Risks, tolerance is defined on the basis of the main figures of the businesses/projects.

Regarding Financial and Strategic Risks, there is a tolerance level in terms of its economic impact at the corporate level. In the case of the other identified risks, fundamentally as regards those aspects related to reputation, environment, cyber security and regulation (including corruption), there is a zero tolerance level. With regard to fiscal risks, the Fiscal Policy expressly covers the basic principles regarding tax matters for the Group, including, wherever possible, the prevention and reduction of the fiscal risks during the development of its activities.

E.5. State which risks, including tax compliance risks, have materialised during the year:

During 2018 no material or extraordinary risks materialized, beyond those included in the Directors' Report and the Notes to the Financial Statements. The main risks that may affect the achievement of business goals are managed actively by the organisation, while minimising any adverse risks faced by the Group. In general terms, the Group's business and regional diversification assists in reducing any impacts on the Company's equity due to risk exposure.

The exchange rate risk to which the Company is exposed due to its international operation is managed in accordance with the Market Risk Policy, approved by the Board of Directors in this fiscal year, which basically provides for the establishment of financial or natural hedges, constant monitoring of fluctuations in exchange rates and other measures to mitigate such risk. However, during this year, the depreciation of the Brazilian real has had a negative impact on the Company's equity.

Finally, to mention that mechanisms to anticipate and adequately manage the potential consequences of Brexit have been applied, both in contracts in the portfolio and in future tenders.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise:

CAF's Comprehensive Risk Management System is based on preparing Controls and Action Plans through the appropriate corrective measures, using the META strategy.

In the case of non-manageable risks that raise the risk profile above the tolerance level, contingency plans considered appropriate to remedy the situation of the project in execution or in a previous stage are evaluated in order to decide not to submit the corresponding tender.

Based on the criteria established by the CAF Group and the META analysis methodology, 4 possible strategies for risk management have been defined:

- Mitigate: The risk is accepted but Action Plans are implemented to reduce it.
- Avoid: It is considered that the conditions are not acceptable by the CAF group, so the risk must be eliminated (Zero Tolerance).
- Transfer: It is considered that there are measures that allow transferring the risk to a third party.
- Assume: It is considered that there are no measures to help reduce the risk, so the risk is accepted in its entirety.

The Comprehensive Risk Management System adopted by CAF is aligned with international standards, ISO 31000 and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management), regarding the use of an effective methodology for integrated risk analysis and management and the Three Lines of Defence Model, on assigning responsibilities in the risk management and control area.

The responsibilities granted by CAF for each Line of Defence are as follows:

1. The First Line of Defence rests on the business's own operating units which are responsible for day-to-day risk management in CAF, identifying, measuring, monitoring, mitigating and reporting each exposure, in consideration of established policies, procedures and controls. Additionally, they are responsible for effectively maintaining internal control and implementing actions to address control deficiencies.
2. The Second Line of Defence complements the activities of the first one and is formed by the Risk Management Department, which carries out monitoring and reporting and is responsible for the risk levels assumed by CAF in the projects, independently controlling business lines.
3. The Third Line of Defence includes an independent and effective Internal Audit Function reporting to CAF's Audit Committee based on its overall reviews of the risk framework, internal control and the Internal Control System of the CAF Group's Financial Information. Additionally, it provides an independent review of the first two Lines of Defence.

Assessing and verifying the effectiveness of the Risk Control and Management Policies is carried out periodically by the second and third line of defence. The alerts, recommendations and conclusions generated are communicated to both the Executive Committee and, where appropriate, the Audit Committee.

For the development of its functions, the Internal Audit and Risk Management departments have qualified and experienced personnel that is independent of the business lines. Both departments report before the Audit Committee, which in turn reports to the Board of Directors, with regard to the degree of compliance and adequacy of the internal control and the overall situation, respectively, of the CAF Group's risks.

**F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING
FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment.

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

CAF's Board of Directors is the body responsible for having and maintaining a proper and effective Financial Information Internal Control System. According to the duties assigned by the Board of Directors, the Audit Committee is the body responsible for overseeing the regulated financial reporting preparation and presentation process and the efficiency of the company's internal control, internal audit services and risk management systems, as well as discussing with account auditors or audit companies the most relevant internal control system weaknesses detected. These functions are described in the Regulations of the Audit Committee.

The Internal Audit Department is mandated by the Audit Committee to effectively supervise the Financial Information Internal Control System through its single and independent oversight role, in line with the professional quality regulations and standards, which shall contribute to good corporate governance and ensure that the financial information has been prepared in a reliable manner.

The Financial Department is the division in charge of designing, implementing and maintaining an adequate and effective internal control system on financial information.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

The Chairman and Executive Director and the Human Resources Manager are in charge of designing and reviewing the organisational structure and defining the lines of responsibility and authority for each business unit and subsidiary.

Regarding the Financial Information Internal Control System, the processes defined as critical for financial reporting information include the main tasks and controls to be performed and the people responsible for both their implementation and supervision, clearly defining responsibility and authority lines. The breakdown of functions of the tasks considered incompatible is also documented for these processes.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions:

CAF Group has a Code of Conduct that was approved by CAF's Board of Directors on 27 July 2011 and which is available on the web site, disclosing the set of general standards and principles on corporate governance and professional conduct that are applicable to all professionals of CAF, S.A. and subsidiaries which belong to CAF Group.

The Code of Conduct defines the ethical structural principles that serve as a basis to establish the behavioural criteria that are mandatory for CAF professionals and the agents they interact with as part of their Company business. These ethical structural principles refer to strict compliance with lawfulness, quality, reputation, protection of human resources, the respect for and commitment to the community and environment and the duty of transparency.

Particularly, with regard to the Financial Information, the Code of Conduct sets forth that "the information conveyed to the shareholders shall be truthful, complete and current and shall adequately reflect the Company's position. Adherence to this maxim shall be especially scrupulous with regard to the financial information. CAF acts with total transparency, adopting specific procedures to ensure the financial documentation is correct and truthful. CAF pays special attention to the fact that the abovementioned information is recorded and conveniently disclosed to the market".

The Compliance Committee is in charge of ensuring compliance with the Code of Conduct to the Board of Directors. Its duties include analysing possible breaches and proposing corrective actions and penalties.

The Code of Conduct is an essential and integral part of the Crime Prevention Manual, a document approved by the Board of Directors during its meeting held on 29 April 2015, identifying (i) a policy and procedure system to prevent the commission of material crimes as much as possible. Such Crime Prevention Manual has been updated and revised by the Board of Directors on 18 December 2018.

With regard to training activities that began in 2016, the actions aimed to raise awareness, disseminate and implement the Manual on Crime Prevention among the CAF Group staff continued during 2018.

- At the date of preparing the document, while including the head office and national subsidiaries, 93% of staff members included in the training plan had completed the training courses. In 2018, significant progress was made on an international level with training programmes being delivered to 98% of the consolidation scope. More than 3,800 people have received training on this matter, which accounts for 91% of the eligible group. At this moment, 687 people are participating in the programme. Also, a training framework for new employees is underway, which included this programme within the plans for the induction of new employees. Training materials are constantly being updated.

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature:**

In order to channel general complaints and those relating to financial and accounting aspects, a single complaint channel is established which is supervised by the Compliance Committee or Unit. This body periodically analyses the complaints received and, if appropriate, adopts the relevant actions related to the specific circumstances of each complaint. In case the Compliance Committee or Unit understands that the complaint deserves more attention, it may send the documentation to the relevant department with the objective of jointly assessing the facts and determining the measures to be taken. Likewise, it reports relevant financial irregularities to the Audit Committee. After the information has been made available through this mechanism and reviewed, and should it be deemed necessary, the Committee must propose any appropriate actions to improve its performance and reduce the risk of any irregularities in the future.

An adequate record is kept for all complaints received which guarantees the confidentiality of both the sender and its content. Additionally, for situations such as discrimination, harassment, mobbing or safety at work, specific channels are established for the communication and treatment of any improper conduct that may occur in those areas.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management:**

The Group has a corporate training budget and a training plan designed biannually. Training needs are detected and activities for each department are scheduled as part of this plan.

Staff performance assessments are held every year and an individual development and training plan is set out for every employee included in the Training Plan. In addition, refresher courses taught by external specialist are held at least on an annual basis so as to ensure staff remains up-to-date on regulatory changes that can affect the preparation of the financial statements.

With regard to learning programmes for CAF S.A.'s economic and financial subjects, in order to support the different businesses in fiscal year 2018, the main reference indicators of this activity have been as follows:

- Number of participants in the training actions on this matter: 137
- Number of training hours received: 980 hours

Apart from wide training, the main training activities are focused on the technical updates within the economic and financial area, (legislation, tax scheme, risks, ...).

F.2. Assessment of financial information risks.

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented:

The identification of risks within the financial information sphere is a continuous and documented process carried out by the Company's Management as part of the risk management system, which begins with the offer preparation and allows identifying and managing the different risks faced by the Group during its normal course of business.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency:

At the beginning of each year, supported by projected financial information, the main control objective and risks of error are analysed, estimating the likelihood and impact this would have on the financial information. This analysis includes the review of the routine financial reporting processes. During the year, the identified risk areas are followed up and updated, taking into account new significant events that have taken place during the period. In addition, the internal control system contemplates the performance of regular control activities focused on identifying new risk areas, such as meetings of CAF's Financial Department and the persons responsible for business areas and meetings to review the financial information reported by the subsidiaries.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities:

At least on a quarterly basis, the Financial Department receives the Group's company organisation chart from the Corporate Development Department, which shows the changes in scope that have taken place during the period. All changes to the scope are analysed by the Financial Department.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements:

The process takes into account all risks identifiable insofar as they affect the financial statements.

- The governing body within the company that supervises the process:

The Audit Committee is the body responsible for overseeing the regulated financial and related non-financial information preparation process and presentation, which includes the risk identification process.

F.3. Control activities.

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

Financial Statements certification: The financial statements are certified by the Chairman and Managing Director and the Chief Financial Officer. There has been a prior supervision process of submitted data conducted by senior staff involved in preparing these financial statements, as well as control activities designed to mitigate risks of error that may affect financial reporting.

The main financial reporting generation processes significantly affecting financial statements are documented and programmed. The financial reporting processes that are covered include the following:

- Consolidation and Reporting
- Accounting closing
- Employee compensation
- Treasury management
- Income and expense recognition (for every business unit)
- Invoicing and trade receivables
- Inventories and Supplies (for every business unit)
- Investments
- Taxes
- Provisions
- Information systems

The risks of error that may affect the reliability of the financial information (including risks of error in relevant judgements, estimates, assessments and projections) have been identified for each of these processes, as have the control activities to mitigate those risks. A person is appointed for each control activity, in charge of implementing and overseeing the activity, the timing of implementation, as well as the evidence necessary to execute the activity.

This system is updated on a continual basis and is adapted according to the risks identified.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Management of Information and Communication Technologies (ICT) is a corporate process that falls under the CAF Group's Management Model. Its mission is to provide and manage services, supporting the Group's information technology and communication needs in any of the areas of business activity, enhancing the use of these technologies and providing an efficient and effective management over the available resources, ensuring confidentiality, integrity, availability and assurances over the information.

The objectives of this process are to:

- Comply with the Corporate ICT development plan
- Ensure the availability of information systems (availability)
- Guarantee the security (confidentiality and integrity) of Information Systems.
- Promote the standardisation of the Systems
- Improve the satisfaction level of ICT systems
- Develop the ICT corporate framework

The ICFR includes control activities that monitor the proper performance of the processes of Information Systems, in relation to:

- Information technology management:

- User management
- Configuration management
- Physical safety management
- Change management
- Operational management and system control
- Continuity management
- Third-Party Management

Furthermore, since 2017, in accordance with ISO 27001, it is worth mentioning the rolling out of an Information Security Management System (ISMS), which was certified in the spring of 2018 with regard to the information systems supporting the CAF corporate processes, which are managed by the Corporate Digital Directorate. As a result of this implementation, a Security Committee has been formed along with the appointment of a Security Officer, where the affected suppliers and staff have had to read the Security Policy, whereby expressly accepting the Terms and Conditions therein, and the Good Practices Handbook.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

There is an Accounting and Financial Procedures and Policies Manual applicable to all CAF, S.A. subsidiaries, including, among others, an approval and supervision policy for activities subcontracted to third parties in preparing the financial statements.

The main activities identified as having been subcontracted to third parties include the preparation of the payroll and tax returns of certain subsidiaries (areas considered to be low-risk and in subsidiaries that cannot materially affect the Group's financial statements) and the subcontracting of services in the IT department (the effectiveness of which is regularly monitored). Furthermore, during the fiscal year 2018, the valuation of acquired assets and liabilities was contracted to independent third parties, according to IFRS 3 of business combinations. In these cases, the Company's policy is to resort to firms of renowned background and independence.

F.4. Information and communication.

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

CAF, S.A.'s Financial Department is responsible for preparing the consolidated financial statements as well as Parent Company's financial statements. Some of their tasks are to resolve accounting questions for the rest of the Group companies with which the Company has a direct and constant relationship through the designated persons in charge of control at each subsidiary and to update the Accounting and Financial Procedures and Policies Manual. During fiscal year 2018, one of the main adaptations of the Manual introduced new accounting standards (mostly in relation to the recognition of income) as well as the work involved in preparing for the new IFRS 16 on Leases.

The Manual is available on CAF's web site.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

Every year a schedule is drawn up of the information required to prepare the financial information for the following year.

The financial information of each subsidiary is reported directly to CAF, S.A.'s Financial Department, through a web-based tool with consistent reporting formats which is used to gather the information supporting the consolidated financial statements, as well as the consolidated information in the financial statement notes and which is also used to roll up and consolidate the reported information.

CAF, S.A.'s Financial Department is responsible for establishing the formats on the web application (chart of accounts, reporting package). Those who have been designated for each subsidiary and are in charge of control supervise the process used to harmonise the information of each subsidiary with the Group standards.

F.5. Supervision of system performance.

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

In accordance with the provisions of its own Regulations, the Audit Committee is responsible for supervising the preparation process and the integrity of the financial information, ensuring its compliance with the legal provisions, the accurate determination of the consolidation scope, as well as to oversee the proper internal controls risk management systems, including ICFR. Likewise, the Committee reviews that the information published on the Company's web site is constantly updated and reflects the one prepared by the Board of Directors, which has been published in the CNMV's web site.

The Audit Committee ensures the staff involved in the Financial Information Internal Control System evaluation tasks:

- Show integrity and is independent in the performance of their work, so that their conclusions are objective and impartial.
- Are competent and have the necessary technical ability to perform their work diligently.

Under the scope of the external audit, the Audit Committee holds meetings with the external auditors with regard to more significant aspects concerning the review of the financial statements and the findings of the audit work (which include, where appropriate, material aspects detected in the internal control area).

The CAF Group has an Internal Audit Area whose role includes assisting the Audit Committee in its task of supervising the ICFR design and operation.

Each year, the Manager of Internal Audit presents the internal audit activities before the Audit Committee for its approval, which includes ICFR oversight tasks. The content of the Annual Work Plan is reviewed and updated on an ongoing basis.

Based on this plan, the Internal Audit Manager reviews the ICFR's design and functioning by periodically reporting to the Audit Committee its assessments, weaknesses detected, action plans to correct them and recommendations for improvement. This report can be presented either in person at the Audit Committee meetings or by sending it to the Committee.

In the 2018 reporting period the Annual Work Plan submitted and subsequently implemented by the Internal Audit Area covers the following matters related to the ICFR:

- Identification of the main risks on financial information.
- Analytical review of the financial information sent to the National Securities Market Commission (CNMV) on a quarterly basis, together with a review of the design and adequate performance of the main control activities involving fiscal year closing processes, consolidation and reporting, as well as a review of the main judgments and estimates.
- Review of financial reporting processes and of the main subsidiaries, as per a three-year turnover plan.
- Quarterly follow-up on the status of the action plans proposed to tackle identified shortfalls and improvement recommendations.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The Audit Committee meets prior to the issuance of financial information to the markets with the Internal Audit Manager and the Management responsible for preparing the financial information to comment on any relevant aspects and, if appropriate, discuss significant control weaknesses identified.

During 2018, the Head of Internal Audit attended six meetings of the Audit Committee, who reported on the Annual Work Plan's evolution and the existing action plans to implement recommendations for internal control improvement.

Likewise, in 2018, the external auditors had appeared before the Audit Committee on three occasions to:

- Report on the results of the audit of the 2017 financial statements and the limited review on the 2018 semi-annual financial statements.
- Report on the quality control system and internal practices that the external auditor had established for matters of the independence of the auditor.
- Address the impact of the acquisition of the Polish company Solaris Bus & Coach, S.A. on the Group's accounts.

Also, the external auditors had attended the meeting of the Board of Directors held on 18 December 2018 to report on:

- The audit progress report corresponding to fiscal year 2018.
- The working plan regarding the updating of significant risks.
- The audit schedule for the Solaris integration, while explaining the most significant aspects of it.
- The Statement of Responsibilities of the auditors regarding the audit for the fiscal year, in accordance with the applicable legislation.
- Significant developments and trends. In particular, it commented on the recent adoption of the Law on non-financial information and diversity and its main implications, including the obligation to verify this information by a service provider at arm's length.

During 2018, auditors have not revealed significant internal control weaknesses.

F.6. Other relevant information.

There is no other relevant information regarding the ICFR not included in this report.

F.7. External auditor's report.

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The external auditor's report regarding the financial information internal control system (ICFR) is attached hereto as an annex.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies [] Explanation []

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [] Complies partially [] Explanation [] Not applicable []

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies [] Complies partially [] Explanation []

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies [] Complies partially [] Explanation []

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies [X] Complies partially [] Explanation []

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:
- a) Report regarding the auditor's independence.
 - b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
 - c) Report by the audit committee regarding related-party transactions.
 - d) Report on the corporate social responsibility policy.

Complies [X] Complies partially [] Explanation []

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies [X] Explanation []

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies [X] Complies partially [] Explanation []

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies partially [] Explanation []

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:
- a) Immediately distributes the additions and new proposals.
 - b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
 - c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
 - d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [] Complies partially [] Explanation [] Not applicable []

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies [] Complies partially [] Explanation [] Not applicable []

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies [] Complies partially [] Explanation []

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies [] Explanation []

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies [X] Complies partially [] Explanation []

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies [X] Complies partially [] Explanation []

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explanation []

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [X] Explanation []

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies [X] Complies partially [] Explanation []

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [] Complies partially [] Explanation [] Not applicable [X]

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [X] Complies partially [] Explanation [] Not applicable []

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X] Explanation []

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies [X] Complies partially [] Explanation []

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies [X] Complies partially [] Explanation [] Not applicable []

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X] Complies partially [] Explanation [] Not applicable []

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [] Explanation []

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X] Complies partially [] Explanation []

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X] Complies partially [] Explanation []

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X] Complies partially [] Explanation [] Not applicable []

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [] Explanation []

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X] Explanation [] Not applicable []

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [X] Complies partially [] Explanation []

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [] Explanation []

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company; should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies partially [] Explanation []

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [X] Complies partially [] Explanation [] Not applicable []

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies [X] Explanation []

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:
- a) The quality and efficiency of the Board of Directors' work.
 - b) The workings and composition of its committees.
 - c) Diversity of membership and competence of the Board of Directors.
 - d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
 - e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies Complies partially Explanation

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies Complies partially Explanation Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies partially Explanation Not applicable

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies Complies partially Explanation

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [] Explanation []

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X] Complies partially [] Explanation [] Not applicable []

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:
 - a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
 - b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.
2. With regard to the external auditor:
 - a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
 - b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor’s independence.
 - c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
 - d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
 - e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor’s billing, and all other rules regarding the auditor’s independence.

Complies [X] Complies partially [] Explanation []

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X] Complies partially [] Explanation []

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies partially [] Explanation [] Not applicable []

45. That the risk management and control policy identify, as a minimum:

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.
- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X] Complies partially [] Explanation []

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] Complies partially [] Explanation []

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X] Complies partially [] Explanation []

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies [] Explanation [] Not applicable []

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [] Complies partially [] Explanation []

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [] Complies partially [] Explanation []

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [] Complies partially [] Explanation []

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:
- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
 - b) That their chairmen be independent directors.
 - c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
 - d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
 - e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X] Complies partially [] Explanation [] Not applicable []

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:
- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
 - b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
 - c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
 - d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
 - e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
 - f) Supervision and evaluation of the way relations with various stakeholders are handled.
 - g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
 - h) Coordination of the process of reporting on diversity and reporting non- financial information in accordance with applicable rules and international benchmarks.

Complies [X] Complies partially [] Explanation []

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:
- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
 - b) Corporate strategy related to sustainability, the natural environment and social issues.
 - c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
 - d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
 - e) Means of supervising non-financial risk, ethics, and business conduct.
 - f) Communication channels, participation and dialogue with stakeholders.
 - g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [] Complies partially [] Explanation []

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [] Complies partially [] Explanation []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies [] Explanation []

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies [] Complies partially [] Explanation []

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies partially [] Explanation [] Not applicable []

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X] Complies partially [] Explanation [] Not applicable []

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [] Complies partially [] Explanation [] Not applicable [X]

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [] Complies partially [] Explanation [X] Not applicable []

During the current fiscal year, for the first time the Company has used a variable remuneration system for executive directors, based on the attainment of certain predetermined performance parameters, in accordance with the Remuneration Policy approved at the General Meeting. This Policy does not include the possibility of establishing a variable remuneration system associated with the delivery of shares or any other share-based financial instrument.

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies [] Complies partially [] Explanation [] Not applicable []

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [] Complies partially [] Explanation [] Not applicable []

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [] Complies partially [] Explanation [] Not applicable []

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010:

A.3. As the system only allows for 2 decimal points, we have not been able to enter the correct percentages of the total voting rights, which are as follows: 72,564,821M JUAN JOSE ARRIETA SUPUDE 0.003% and 30,605,037H ANE AGIRRE ROMARATE % 0.002. TOTAL 0.005%.

C1.16

f) Significant shareholders, Executive Directors or senior managers of an entity receiving significant donations from the Company or its Group currently or in the last 3 years. Mere employees of a Foundation receiving donations are excluded from this list. g) Spouses, individuals with an analogous relationship, or relatives up to the second degree of a Company executive director or senior executive. h) Individuals whose appointment or re-election has not been proposed by the Appointments Committee. i) Individuals who had been directors during a continuous term exceeding 12 years. j) Individuals falling under any of the assumptions mentioned in subsections a), e), f) or g) above with respect to any significant shareholder or any shareholder represented on the Board. In connection to the family relationship stated in paragraph g), such restriction shall be applied not only to the shareholder, but also to his/her Proprietary Directors in the investee company. Proprietary Directors forced to resign after their shareholders sell their shareholding may only be re-elected as Independent Directors when the shareholder they represented up to that moment sold his/her entire shareholding in the Company. A Director with Company shares may be an Independent Director provided he/she meets all the requirements pursuant to this Article and does not hold a significant shareholding (Article 16 of the Board Regulations).

Re-election:

Directors shall hold office for four years. Directors may be re-elected once or several times for equal periods. Directors' appointments shall be effective upon acceptance thereof (Article 29 of the bylaws). The Board of Directors shall be renewed upon members' office expiration. (Article 30 of the bylaws).

Assessment:

The Appointments and Remuneration Committee has certain responsibilities with regard to Directors' appointment, assessment and re-election, set forth in the corresponding Regulations. The following should be noted: The Appointments and Remuneration Committee has the following basic responsibilities: 1.- Evaluate the balance of skills, knowledge and experience on the Board of Directors. Define the candidates' roles and capabilities to fill each vacancy; and decide the time and dedication necessary for them to properly perform their duties. 2.- Set an objective for the representation of the gender that is underrepresented on the Board of Directors, drawing up guidelines on how to achieve this objective, 3.- Submit to the Board proposals for Independent Directors' appointment through co-option or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for such Directors' re-election or removal. 4.- Report on the proposals for Directors' appointment through co-option or, if applicable, for the General Shareholders' Meeting consideration, together with the proposals made by the General Meeting for Directors' re-election or removal. 5.- Report on proposals for appointment and removal of senior managers and the basic terms of their contracts. 6.- Examine and organise the succession of the Board of Directors' Chairman and the Company's Chief Executive and, where appropriate, make proposals to the Board of Directors for such succession to occur in an orderly and planned manner. 7.- Propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out their senior management functions under direct control of the Board, Executive Committees or Managing Directors, as well as the individual remuneration and other

contractual conditions of Executive Directors, ensuring compliance. (Art. 3 of the Appointments and Remuneration Committee Regulations).

Any Director shall request the Committee to consider them in case they are adequate potential candidates to cover Directors' vacancies.

Removal:

The Board Regulations state the following rules for Directors' removal: Directors' removal shall comply with the legislation in force at each given time. Directors must tender their resignation to the Board of Directors and formalise their resignation, if the latter deems it appropriate, in the following events:

a) The proprietary director must tender his/her resignation when the represented shareholder sells its entire shareholding or diminishes it to a level that requires the reduction of the number of proprietary directors. b) If they are disqualified on the grounds of conflict of interest or any other legal grounds. c) When indicted for any alleged crime or when subject to disciplinary measures for serious or very serious breach determined by supervising authorities. d) When seriously reprimanded by the Board of Directors upon Report from the Appointments and Remuneration Committee on default of director's obligations. e) When involved in a situation that raises a conflict of interest with the Company and violates the duty to provide information and abstention. f) When they breach the non-competition agreement. Directors shall inform the Board of any criminal charges brought against them and the progress of any subsequent trial. Should a Director be indicted or tried for any of the crimes stated in Article 213 of the Companies Law, the Board shall examine the matter as soon as possible and decide whether or not he or she should be called on to resign. The Board shall also disclose all such determinations in the Annual Corporate Governance Report. In any case, Directors are to inform and, if applicable, resign during any such events that may be detrimental to the Company's name and reputation. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where just cause is found by the Board, based on a proposal from the Appointments Committee. (Article 18 of the Board Regulations).

The Directors' Selection Policy, approved by CAF's Board of Directors on 12 November 2018, repeats the functions applicable to the Appointments and Remuneration Committee in selecting Directors, as well as the conditions of its participation in such process, as previously described, along with the prerequisites that the candidates must meet, with a special emphasis on the fundamental objective to enrich the diversity of knowledge, experiences and gender from among the Board members, by following criteria to ensure the existence of appropriate diversity in its membership and the absence of any implicit biases that may lead to discrimination based on age, gender, disability, or any other personal circumstance or situation, in accordance with Recommendation 14 c) under the Code of Good Governance of Listed Companies, and with articles 529 bis and 529 quidecies of the Spanish Capital Companies Law.

C1.30

In order to implement the abovementioned principles, the Company has various official communication channels with shareholders and investors, for example:

- The corporate web site of CAF (www.caf.net), where relevant information for shareholders and investors is published. This web site is continuously updated. The web site includes announcements of information on the results and other corporate events on the Investor Agenda, as well as for example the list of independent entities that carry out the reviews of CAF as a listed company.
- Personalised attention for analysts and investors, via the Shareholders and Investor Services Office, through the channels provided on the corporate web site.

C.2.1

AUDIT COMMITTEE

e) Submit to the Board of Directors, the proposals for the selection, appointment, reappointment and removal of an external auditor of the Company, being responsible for the selection process, pursuant to article 16, sections 2, 3, 5 and 17.5 of the Regulations (EU) 537/2014 of 16 April, as well as its employment conditions and regularly collect information about the audit plan and its execution, whereby preserving its independence during the undertaking of its role. The Committee must carry out the final evaluation of the auditor's performance and its contribution to the quality of the audit and the integrity of the financial information. f) Establish the appropriate relations with the external auditor in order to gather information on issues that may prejudice the independence of the auditor, to be assessed by the Committee, and on any other matters concerning the undertaking of the auditing of the accounts and, where appropriate, the approval of services other than those prohibited, under the terms established under article 5, sections 4 and article 6.2.b) of Regulation (EU) 537/2014 of 16 April and under paragraph 3, Chapter IV of Title I of Law 22/2015 of 20 July on Account Auditing, regarding the principles of independence, as well as establishing, with the external auditor, any other notifications pursuant to the legislation and audit requirements. In any case, receive from the auditors or audit companies an annual written confirmation of their independence from the Company or companies directly or indirectly related to the them, as well as information concerning the additional services of any kind rendered to the Company by said auditors or companies, or by the individuals or companies related to them pursuant to the Account Auditing legislation. g) Issuing, prior to the issuance of the audit report, an annual report expressing an opinion as to whether the independence of the external auditor is prejudiced. Such report must contain, in any case, an assessment on the provision of each and every additional service referred to in the previous section, beside the various legal auditing and in relation to the regime of independence and governing regulations for the undertaking of account auditing. h) With respect to the external auditor: i. In the event of the resignation of the external auditor, investigate the issues giving rise to that resignation. ii. Ensure that the external auditor's compensation for his work does not compromise its quality or independence. iii. Ensuring that the Company notifies any change of auditor to the National Securities Market Commission as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same. Ensure that the external auditor holds an annual meeting with the Board in plenary session to report on the work carried out, the progress in the accounting situation, and the risks the Company faces. v. Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements

designed to safeguard auditors' independence. i) Supervise the Company's internal control and management risk function. j) Report in advance to the Board of Directors on all matters under the Law, bylaws and the Board's Regulations; and particularly on: 1.º the financial information that the Company must make public on a regular basis, 2.º the creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens and 3.º related party transactions. k) Proposal to the Board of Directors for amending the Regulations, accompanying the proposal with a supporting report. l) Supervising the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders. m) Evaluation of the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks. n) Be informed on the structural and corporate changes intended by the Company for reviewing and submitting the report to the Board of directors on the economic conditions and the accounting effects and, specifically, on the swap ratio proposed. o) Approving an annual work plan, which contains, among others, the yearly schedule for Committee meetings in order to facilitate the achievement of goals efficiently pursued. p) Issue a report on those transactions made by the Company or the Group's Companies with directors or shareholders holding a significant interest, individually or collectively, including those represented on the Board of Directors of the Company or other Companies of the same group, or with persons related thereto, pursuant to the Capital Companies Law. The issue of this report shall not be applicable for any transaction meeting all of the three following conditions: i) they are governed by standard form agreements applied on an across-the board basis to a large number of clients, ii) they are performed at general prices or rates by the person acting as supplier of the asset or provider of the service involved; and iii) they contain amounts not exceeding one percent of the Company's annual revenues. q) According to the Internal Code of Conduct within the Company's securities markets area: i) Upon request of the Control and Monitoring Body, issue a report on the possible approval of transactions of Affected Securities and Instruments during the restricted periods, and ii) In coordination with the Control and Monitoring Body, assess whether the market research processes that have been carried out contain the disclosure of inside information. r) Submit an annual evaluation report on its own performance before the Board of Directors, in accordance with the framework of the annual assessment of the Board of Directors and its Committees. s) Every year submit a report on the Committee's activities and performance during the previous year. t) Any other function attributed to it by law, the By-Laws, the Regulations of the Board of Directors or conferred by the Board of Directors. The provisions of sections f), g) and h) will be understood notwithstanding the regulatory standards of account auditing. Likewise, the Committee has the following powers: 1.- The Committee shall have full access to any type of Company information, documentation or records considered necessary for the furtherance of its duties. 2.- The Committee shall request the Board of Directors external expert advice on matters especially relevant if deemed necessary when Company or Group companies' experts or technicians may not duly or independently provide it. 3.- Moreover, at any time, the Committee may request the personal collaboration and reports from any of the executive directors of the Company and/or group companies, any other non-executive board member, employee and expert, when it is deemed necessary or appropriate in order to comply with the duties of the Committee, as well as to request the attendance of any such person at a Committee meeting to report on any specific item on the agenda.

Operation:

The Committee shall convene upon the Chairman's decision to perform its functions. The Committee will meet, at least, at the time of each publication date of the annual or interim financial information and, at these meetings, the internal auditor will be asked to attend and, when a review report has been issued, the external auditor will also join the meeting to address the corresponding points on the agenda. At least some of these meetings held with the internal auditor or the external auditor must take place without the presence of the Company's senior management, so that any specific issues arising from the reviews can be discussed exclusively with them.

Moreover, the Committee will meet when required by the Board of Directors (Article 5 of the Audit Committee Regulations). Meetings are to be convened by the Secretary of the Committee as per the instructions of the Chairperson, at least five calendar days in advance, to be sent by letter, fax, telegram or e-mail. As an exception it may be less than this when it is deemed by the Chairperson to be an urgent matter.

The notice call shall include the meeting's agenda. Without prejudice to the abovementioned, the Committee may also discuss and approve matters not included in the cited agenda. In any event, the Chairperson of the Committee will rely on the Secretary to forward and make available any necessary information and documentation to the other of the members of the Committee with sufficient lead time so that they can be analysed prior to a meeting (Article 6 of the Audit Committee Bylaws and Regulations). Committee meetings will be held at the place stated in the call, except for the case described in the following section. Exceptionally, Committee meetings may be held via telephone conference, video conference or by any other means of non-face-to-face communication, as long as the identity and participation of the attendee is duly ensured and that all members of the Committee are a party to such communication. In this case, the meeting will constitute a quorum and be open at the place where the Chairperson is located (Article 7 of the Audit Committee Bylaws and Regulations). The Committee shall be duly convened when half of the members attend the meeting in person or by proxy. The Committee Chairman and Secretary shall be those individuals appointed for such positions. In case of absence or inability, the Chairman shall be replaced by the member of the Committee with more seniority, or the most senior Committee member in case of several members holding the same seniority. In case of absence or inability, the Secretary shall be replaced by the member of the Committee of less age. Furthermore, the Committee may hold a meeting without a prior call when all the members are present, or duly represented, and when they unanimously agree to hold the meeting. (Article 8 of the Audit Committee Regulations). The Audit Committee's decisions shall be adopted by majority vote of the Directors attending the meeting in person or by proxy. The Secretary shall record the minutes of each meeting which, once approved either at the end of the meeting or in the following one, shall be signed by the Chairman and the Secretary. (Article 9 of the Audit Committee Regulations).

The main actions carried out by the Committee during the fiscal year 2018 were as follows: (i) Activities concerning financial and non-financial information and the associated internal control mechanisms:

a) Prior to being submitted before the Board of Directors for their preparation, the examination of the individual and consolidated Financial Statements and the Directors Reports of CAF, S.A. and the CAF Group, respectively, corresponding to the 2017 fiscal year. The Directors Report includes the Statement of Non-Financial Information, which contains information on non-financial indicators relating to environmental activity, social issues, Human Resources, Respect for Human Rights and the Fight against Corruption and Bribery, which are explained in greater detail under the Corporate Responsibility Report, b) The review of the individual and consolidated quarterly and half-yearly financial statements, prior to being submitted before the Board of Directors for approval, c) The Review of any other information so that it may be announced to the market or submitted to the supervisory bodies during this fiscal year. d) Analysis for the one-year renewal of the Short-Term Commercial Paper Issuance Programme (Euro-Commercial Paper Programme) -ECP), launched in December 2017, proposed before the Board of Directors for its approval, e) Continued monitoring, by the Head of Internal Audit and the Financial Department, of the proper functioning of

the internal control systems, including the ICFR, while identifying any deficiencies in its performance, in the case of there being any.

(ii) Activities associated with related-party transactions:

a) Review of significant related-party transactions carried out by the Company and planned for the upcoming fiscal year and determine whether they need to be brought to the attention of the Board, b) Regular information for the Board of Directors concerning related-party transactions carried out by the Company.

(iii) Activities relating to the corporate social responsibility policy and its terms of implementation during the year:

Activities regarding matters of corporate social responsibility activities conferred by the Board to the Appointments and Remuneration Committee, notwithstanding the verification of the relative information included in the Directors Report attached to the individual and consolidated Financial Statements of CAF, S.A. and the CAF Group, respectively, by the Audit Committee.

(iv) Activities relating to risk management and control:

a) Ongoing evaluation of the Internal Control over Financial Reporting (ICFR) system and the analysis of its recommendations and improvement plans, proposed by Internal Audit, b) Supervision of the tasks and performance of the Risk Management Unit. The attendance of the Unit's Manager at Committee meetings, to report on the main risks and contingencies of the Company and its Group. In this context: Periodic risk map supervision for the risks identified and evaluated during the various processes throughout the Organisation. Monitoring of the risk management models implemented by the Company, c) Monitoring of the actions of the Internal Fiscal Function of the Company, which is responsible for the control and management of fiscal risks for the Group and the preparation of periodic reports on the situation of the different phases of development of its function and the more relevant developments of fiscal matters that affect the Company, d) Analysis of the transaction and acquisition of the Polish company "Solaris Bus & Coach, S.A.", whose corporate purpose is the manufacture of buses, and favourable report raised before the Board for the presentation of a binding offer. e) Analysis of any other possible relevant corporate transaction. f) Evaluation of the Company's non-financial risks, including operating, technological, legal, social, environmental, political and reputational risks.

(v) Activities relating to Internal Audit:

The Committee has directly and continuously analysed and supervised the actions carried out by the Company's Internal Audit. Apart from the outcomes of the foregoing, the Committee has conducted the following actions:

a) Supervision of the 2017 Internal Audit Work Plan compliance, b) Approval of the 2018 Internal Audit Work Plan, which is comprised of: The review of financial information (quarterly, semi-annual, annual financial statements and the directors report) and monitoring of the main financial and fiscal risks. Monitoring of the ICFR, covering processes and subsidiaries. Monitoring of the risk management model. Consulting for the drafting of policies. c) Monitoring of the development of the Internal Audit Work Plan and the degree of compliance with the issued recommendations.

(vi) Activities of the external auditor:

a) Preparing the proposal for the renewal of the external auditor, to be submitted at the General Shareholders Meeting, b) Analysis of the external auditor's reports on the individual and consolidated financial statements of the Company for fiscal year 2017, c) Analysis of the limited review report on the semi-annual financial statements for fiscal year 2018, d) Request for the written confirmation of independence issued by the auditor and preparation of the report on the independence of the auditor for fiscal year 2017, e) Establishing the scope and criteria for the approval of non-audit services and approving the budget for non-audit services for fiscal year 2019, f) In coordination with the external auditor, the analysis of: The duration of the audit engagement term and its calculation, in accordance with Regulation (EU) 537/2014, of 16 April. Non-auditing services provided by the external auditor during the year, while assessing their nature, circumstances and context, so that these do not compromise the independence of the auditor. The quality control system and internal practices that the external auditor has established regarding matters of the independence of the auditor. Determining the required parameters to assess the performance of the auditor and how it has contributed to the quality of the audit and to the integrity of the financial information. The impact of the acquisition of the Polish company Solaris Bus & Coach, S.A. on the Company's accounts.

(vii) Monitoring activities of the Committee's own action plans:

Throughout the current year, the Committee has continuously monitored the 2018 Action Plans. It has verified that all of these have been satisfactorily implemented.

(viii) Other activities:

a) Gathering information on possible corporate transactions that require reviewing, b) Approval of the report on the function of the Audit Committee for fiscal year 2017, c) Supervising the communication strategy and the relationship with shareholders and investors, including small and medium-sized shareholders. d) Proposing to the Board of Directors the following new Policies on: (i) Liquidity and Financing, (ii) Market Risks, and (iii) Investments, e) Proposing to Board of Directors the amendments made to the Regulations of the Audit Committee, so as to include: (i) the measures suggested by the external consultant for the 2017 Assessment Report of the Board of Directors of CAF, (ii) the more important aspects covered by the CNMV Technical Guide that were not expressly established in the internal regulations, (iii) the powers conferred by the Board of Directors under the scope of Recommendation 53 of the Code of Good Governance of Listed Companies, (iv) changes required for the standardisation of the Regulations of the Board and its Committees and, (v) other technical improvements. f) Proposing the amendments of its Regulations to the Board of Directors, g) Approving an annual work plan for fiscal year 2019, which contains the yearly schedule for Committee meetings with the external auditors, h) Preparing the Report on the Annual Evaluation of its performance, i) preparing an Annual Report on the activities carried out by this Body in 2018, which will be published under the terms of Recommendation 6 of the Code of Good Governance of Listed Companies of the CNMV.

APPOINTMENTS AND REMUNERATION COMMITTEE

Operation:

The Committee shall meet periodically as required and in particular when asked by the Board of Directors. The call notice shall be issued at least three days prior to the meeting. The call notice shall include the meeting's agenda and the relevant information duly summarised and prepared. Prior call notice of Committee meetings shall not be necessary when 100% of its members are convened and accept holding the meeting by unanimous vote. The Committee shall be duly convened when, at least, the majority of its members attend the meeting in person or by proxy. The meeting shall be chaired by the Chairman of the Committee. In the absence or inability of the Chairman, the meeting shall be chaired by the most senior member. Should several Directors hold the same seniority, the meeting shall be chaired by the most senior member among them. The Chairman shall organise the debate ensuring and promoting the participation of all Committee members during the body's deliberations. At the Committee's request, its meetings may be attended by any executive or worker, the Executive Director, the Board of Director's Chairman or any other director. The Board of Director's Chairman or the Executive Director may indistinctly request the Committee to hold special informative meetings. Resolutions shall be adopted by majority vote of the Directors attending the Committee's meeting in person or by proxy.

The Chairman of the Committee has the casting vote in the event of a tie. Adopted resolutions shall be minuted, reported by the Secretary and approved during such meeting or at the beginning of the next one immediately after.

During 2018 the most relevant actions carried out by this Committee were as follows:

(i) Activities regarding appointments:

a) Analysis of the Board of Directors' needs so as to provide advice on any vacancies that could arise in its membership, b) Issuing a favourable opinion prior to the Board's proposal for the re-election of an Executive Director, c) Issuing a favourable opinion prior to the Board's proposal for the re-election of a Non-Executive Director, d) Proposing the re-election of an Independent Director to the Board of Directors before being submitted to the General Meeting, e) Proposing the appointment by co-option of a female independent Director to the Board of Directors, to be raised before General Meeting for its ratification, f) Issuing its favourable opinion regarding the appointment of a senior executive and the contractual conditions to the Board of Directors.

(ii) Activities regarding remuneration:

a) Proposing to the Board of Directors the Director Remuneration Report corresponding to fiscal year 2017, b) Raising before the Board of Directors the proposal to review the remuneration of the Executive Committee during the fiscal year 2018, which included bonuses linked to the achievement of certain KPIs, c) Proposing to the Board of Directors an increase in Board meeting attendance allowances for this fiscal year, d) Analysis and proposal to the Board of Directors of the introduction of bonuses for Executive Directors linked to the achievement of certain KPIs.

(iii) Activities regarding matters of corporate governance:

a) Analysis and raising before the Board of Directors the 2017 Corporate Social Responsibility Report, b) Reporting on the oversight and assessment of the Corporate Governance System and Corporate Social Responsibility.

(iv) Other actions:

a) Approving of the Performance Report of the Appointments and Remuneration Committee for the fiscal year 2017, b) Reviews on the process of reporting non-financial and diversity information and proposing to the Board of Directors, for approval, so it becomes part of the Directors Report for fiscal year 2017, c) Monitoring of the process of nominating the executives and directors of the Polish company "Solaris Bus & Coach, SA", d) Proposing to the Board of Directors amendments on Diversity to the Directors Selection Policy, e) Monitoring of the situation regarding liability insurance for Company directors and executives. f) Monitoring of the new jurisprudence on the remuneration system for executive directors of non-listed companies, g) Compliance checks regarding the Policy on Diversity and Selection of Directors, h) Approving the Report on its own annual performance assessment, as well as the Report on the annual assessment of the Board of Directors, in accordance with the provisions of Recommendation 36 of the Code of Good Governance of Listed Companies, i) Preparatory work for the amendment of the Regulations of the Appointments and Remuneration Committee, which is dependent upon the final text of the upcoming publication of the Technical Guide on Appointments and Remuneration Committees by the CNMV, j) Preparing the Report on the Annual Evaluation of its performance, k) Preparing an Annual Report on the activities carried out by this Body in 2018, which will be published under the terms of Recommendation 6 of the Code of Good Governance of Listed Companies of the CNMV. (v) Monitoring activities of the Committee's own action plans: Throughout the current fiscal year, the Committee has continuously monitored the 2018 Action Plans presented in the Report on the annual evaluation of its own performance, approved at a meeting of the Committee held on 19 December 2017. It has verified that all of these have been fulfilled satisfactorily.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

[27/02/2019]

State whether any directors voted against or abstained from voting on this report.

[] Yes

[v] No

**Construcciones y Auxiliar
de Ferrocarriles, S.A. and
Subsidiaries
composing the CAF Group
(Consolidated)**

Auditor's Report on the "Information Relating
to the System of Internal Control over Financial
Reporting (ICFR)" for the year ended 31
December 2018

*Translation of a report originally issued in Spanish. In the event of a
discrepancy, the Spanish-language version prevails.*

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITOR'S REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. AND SUBSIDIARIES ("THE CAF GROUP") FOR THE YEAR ENDED 31 DECEMBER 2018

To the Directors of Construcciones y Auxiliar de Ferrocarriles, S.A.,

As requested by the Board of Directors of Construcciones y Auxiliar de Ferrocarriles, S.A. and Subsidiaries ("the Group") and in accordance with our proposal-letter of 7 November 2018, we have applied certain procedures to the accompanying "Information relating to the ICFR system" in the Annual Corporate Governance Report of Construcciones y Auxiliar de Ferrocarriles, S.A. for 2018, which summarises the internal control procedures of the Group in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system.

It should be noted in this regard that, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Group in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the consolidated financial statements and pursuant to Technical Standards on Auditing, the sole purpose of our assessment of the internal control of the Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Group's consolidated financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of consolidated financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the "Guidelines on the Auditor's Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies", published by the Spanish National Securities Market Commission (CNMV) on its website, which establish the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Group's annual financial reporting for 2018 described in the Information relating to the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the system of internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the audit regulations in force in Spain, we do not express an audit opinion in the terms provided for in those regulations.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Group in relation to the ICFR system -disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model Annual Corporate Governance Report, as established in Circular no. 5/2013 of the National Securities Market Commission dated June 12, 2013, which has been modified by Circular 7/2015 of the National Securities Market Commission dated 22 December 2015 and the Circular 2/2018 of the National Securities Market Commission dated 12 June 2018 ("the Circulars of the NSMC").
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) obtaining an understanding of the process that goes into drawing up the information; (ii) obtaining information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) obtaining information on whether the control procedures described are in place and functioning at the Group.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including mainly the documentation furnished directly to those responsible for describing the ICFR system. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Group's ICFR system obtained through the procedures applied during the consolidated financial statement audit work.
5. Perusal of minutes of meetings of the Board of Directors, the Audit Committee and other Group committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, duly signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of the Consolidated Spanish Limited Liability Companies Law, and "the Circulars of the NSMC", for the purposes of the description of the ICFR system in annual corporate governance reports.

Deloitte, S.L.



Pablo Mugica
27 February 2019